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NH PUBLIC
UTILITIES COMMISSION

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

March 15, 2012 1:48 p.m.
Concord, New Hampshire

DAY 2
AFTERNOON SESSION ONLY

RE:

DW 07-105 LAKES REGION WATER COMPANY:
INVESTIGATION INTO QUALITY OF SERVICE.

DW 10-043 LAKES REGION WATER COMPANY:
*AFFILIATE AGREEMENT WITH LRW WATER
SERVICES.*

DW 10-141 LAKES REGION WATER COMPANY:
*PETITION FOR A CHANGE IN RATE
SCHEDULES.*

DW 11-021 LAKES REGION WATER COMPANY:
*PETITION FOR APPROVAL OF LONG-TERM
DEBT.*

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

Clare Howard-Pike, Clerk

APPEARANCES:

Reptg. Lakes Region Water Company:
Justin C. Richardson, Esq. (Upton Hatfield)

**Reptg. Property Owners Association at
Suissevale, Inc. (POASI):**
Douglas L. Patch, Esq. (Orr & Reno)

COURT REPORTER: SUSAN J. ROBIDAS, N.H. LCR NO. 44

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Reptg. Residential Ratepayers:
Rorie E. P. Hollenberg, Esq.
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James Lenihan, Gas & Water Division
Douglas Brogan, Gas & Water Division
Jayson LaFlamme, Gas & Water Division

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1 P R O C E E D I N G S

2 CHAIRMAN IGNATIUS: We're back
3 on the record, resuming with Mr. Mason
4 continuing on the stand.

5 Before we begin, I do want to
6 note and make sure that parties are aware of
7 this.

8 We received today, late morning,
9 the response from Lakes Region to the record
10 request, from Mr. Richardson. Thank you.
11 That should be -- it says it was sent out by
12 electronic mail. I don't know if you've also
13 given hard copies to the parties.

14 MR. RICHARDSON: I have hard
15 copies here. We haven't addressed how to --
16 whether to mark it as the next exhibit, which
17 would be LRW Exhibit 15.

18 CHAIRMAN IGNATIUS: Well, I
19 think we've reserved a record request for it.
20 So I think it's Record Request 1.

21 HEARINGS CLERK: That's correct.

22 MR. RICHARDSON: Okay.

23 CHAIRMAN IGNATIUS: So we don't
24 need to remark it. I just wanted to make sure

1 everybody was aware of that and take a look.

2 (LRWC RR1 received and marked for
3 identification.)

4 MR. RICHARDSON: I have,
5 courtesy of the OCA, I have copies here. I
6 neglected to print them out before I left this
7 morning, so...

8 CHAIRMAN IGNATIUS: That's all
9 right.

10 Mr. Patch, yes?

11 MR. PATCH: I just have one
12 request I'd like to make, and that is with
13 regard to a letter that I heard reference to
14 this morning.

15 Mr. Mason made reference to the
16 fact that there's a letter from the
17 shareholders, apparently to the water utility
18 company, about the ability to be able to use
19 Mount Roberts for the purpose of emergency
20 wells. And I've never seen that letter
21 before, and so I think it would be useful if a
22 record request could be reserved for that
23 letter, because it seems to me it's very
24 relevant to some of the other testimony that's

1 been provided.

2 CHAIRMAN IGNATIUS: Well, it has
3 been referred to a couple of times, both today
4 and last week. Is it actually available and
5 we don't need to make a record request?

6 MR. RICHARDSON: Subject to
7 check, it might be in Exhibit 14. I don't
8 know if it's contained in that.

9 CHAIRMAN IGNATIUS: Well, why
10 don't we ask the Company to take a look at the
11 full packet of 14 while we're beginning. And
12 if it's not there --

13 MR. RICHARDSON: It was my
14 understanding that DES was going to require
15 that a letter be sent as part of its ultimate
16 approval for the permit for the Mount Roberts
17 small production well. So it may be that we
18 have to physically provide them with the
19 letter. Or if it hasn't been provided
20 already, I don't know --

21 MR. MASON: I believe there is a
22 letter. I don't know where it is. I think it
23 was written quite some time ago when we
24 started to use it as a temporary source. But

1 it would probably take me a little bit to dig
2 it out. I'm not sure exactly where it is.

3 CHAIRMAN IGNATIUS: All right.
4 Let's make that Record Request number --

5 HEARINGS CLERK: Four.

6 (Record Request No. 4 reserved.)

7 CHAIRMAN IGNATIUS: Thank you.
8 Record Request No. 4. And that's the letter
9 that was executed between Mr. Mason, Sr., as
10 owner of the parcel, and Lakes Region, the
11 utility, to use a well or wells on that
12 property?

13 MR. MASON: Yes.

14 CHAIRMAN IGNATIUS: All right.
15 I'm losing track. Where are we in
16 cross-examination? OCA, are you completed in
17 your questioning?

18 MS. HOLLENBERG: Yes, I am.

19 Thank you.

20 CHAIRMAN IGNATIUS: Thank you.
21 So, Staff -- the Non-Advocate Staff is next.
22 Thank you.

23 MR. SPEIDEL: Yes. Thank you,
24 Chairman Ignatius. Staff does have a few

1 short background questions of Mr. Mason.

2 CHAIRMAN IGNATIUS: Sure.

3 CROSS-EXAMINATION BY MR. SPEIDEL

4 Q. As far as, Mr. Mason, is it fair to say that
5 your family, the Mason family, has been
6 active in the water services business in
7 central New Hampshire for quite a while?

8 A. Since the early '70s.

9 Q. Since the early '70s. And you've been
10 involved in that industry yourself for quite
11 a while as well?

12 A. That's pretty much what I did when I got out
13 of high school was start in the construction
14 end of it.

15 Q. Would you be able to tell us, Mr. Mason, as
16 to what role the Lakes Region Water Company
17 plays for your family, or how your family
18 views this company, in terms of its role in
19 it?

20 A. My dad started it in the early '70s, maybe
21 late '60s. It's been his kind of baby the
22 whole time. He expanded it. He took on
23 water systems that had issues and pretty
24 much used that -- that was pretty much his

1 life. He pretty much worked 24/7 on
2 whatever problems were with it.

3 Q. So, to some extent, is it fair to say that
4 your father would be personally invested in
5 this company?

6 A. Oh, definitely.

7 Q. So he views it's his duty to continue
8 operating the company?

9 A. Well, not anymore. But I mean, for the
10 longest time it was his duty. He really
11 felt like he was responsible and that he
12 would do the best job he could for his
13 customers.

14 Q. And you are working in the company at the
15 behest of your parents?

16 A. Yes.

17 Q. Thank you very much, Mr. Mason. I have no
18 further questions.

19 CHAIRMAN IGNATIUS: All right.
20 Commissioner Harrington.

21 INTERROGATORIES BY CMSR. HARRINGTON:

22 Q. Yeah. Okay. I asked this question before
23 of somebody else -- I'm not sure who -- but
24 I think you'd be the most important person

1 to answer it.

2 Just looking ahead to this summer, is
3 there sufficient water supply for all the
4 customers this summer?

5 A. You mean the Balmoral and Suissevale
6 customers, or general?

7 Q. All customers of Lakes Region Water. Would
8 there be a sufficient supply of water to
9 provide for all the customers?

10 A. Yes, with the use of the -- you know, the
11 temporary use of the Mount Roberts property.

12 Q. That's what my next question was, so I won't
13 ask it.

14 Going back to that Mount Roberts thing,
15 I'm a little confused on some of the
16 structure of how that works. The land is
17 owned by your parents.

18 A. Correct.

19 Q. Separate from their ownership in the
20 utility.

21 A. Right. They personally own it.

22 Q. And what about the equipment there? Right
23 now there is a working well. I'm showing
24 there's pumps and tanks and filters and so

1 forth.

2 A. Well, no. No, the tank is on a separate
3 piece of property. That belongs -- the
4 property and the tank belong to Lakes Region
5 Water. The only thing on the well field
6 property is an old tear-down house that's
7 still there from before and four wells.
8 They paid for all the equipment. Two of
9 them have pumps in them.

10 Q. Excuse me. Who is "they"?

11 A. My parents. They paid for everything. They
12 paid for the drilling of the wells, the
13 construction of the road, the -- all the
14 hydraulic work that was done, the reports,
15 and pretty much everything up to date,
16 except for the recent small well withdrawal
17 from it that we did in-house a couple weeks
18 ago.

19 Q. So the well equipment that's located on that
20 Mount Roberts property is owned by your
21 parents?

22 A. Correct.

23 Q. So they own the pumps --

24 A. Everything.

1 Q. -- and whatever.

2 A. Yeah.

3 Q. Okay. And how does that work out
4 contractually then, if they're supplying --
5 as a separate entity, they're supplying
6 water to the utility?

7 A. It's more of a loan. You know, they're
8 willing to basically let Lakes Region Water
9 use the facilities that they've constructed
10 until we work out the details with
11 Suissevale and --

12 Q. That's what I'm trying to get to. So they
13 retain ownership of the property and all the
14 material on it, all the capital structures,
15 if you will.

16 A. Right. Right. All the -- I mean, I'm sure
17 that Lakes Region will probably have to pay
18 the electric bill for the power. But other
19 than that, they're going to absorb the power
20 for what they already have, you know, the
21 wells, the pumps. That's about all that's
22 up there.

23 Q. And the outcome of this is that, basically,
24 if you're willing -- if the utility's

1 willing to pay the electricity, and I assume
2 the day-to-day, if there's any maintenance
3 involved --

4 A. Really shouldn't be.

5 Q. -- on the equipment, then they're going to
6 provide you free water, basically?

7 A. That's what they've done for the last four
8 years, yeah. They haven't charged a dime.

9 Q. Is there any written agreement on this?

10 A. Just the letter saying that it was okay to
11 do. You know, there's a very simple letter
12 that my parents wrote years ago -- I believe
13 it was a couple years ago -- saying that,
14 you know, they didn't have a problem with
15 Lakes Region Water using the facilities for
16 temporary water during the summer months.

17 Q. But this is a separate letter from the one
18 that Mr. Patch was referring to.

19 A. No, no, that is the same letter.

20 Q. They're one and the same.

21 A. Yes.

22 Q. Okay. I thought he was referring to one
23 about an easement --

24 A. No, no, there's no easement. It's just a --

1 I don't know. You never met my dad. He's a
2 handshake guy. You know, kind of a -- it
3 was always an agreement. And a couple years
4 ago when all this started to happen, we -- I
5 made him write a letter basically saying,
6 okay, it's all right for Lakes Region Water
7 to use the property.

8 Q. Okay. So in effect, then, it's sort of if
9 the utility wants to pay for the
10 electricity, you can take as much water out
11 of here as you want.

12 A. Well, what's permissible by DES.

13 Q. Okay. And the water that comes out of
14 there, then there's no guaranty of quality
15 or anything like that by your parents.

16 A. Well, it's -- no, no. It's extensive
17 testing. We have to still do all the
18 testing that is normally required on a well.
19 I mean, we've done multiple and multiples of
20 tests on it, from uranium to arsenic to
21 anything else.

22 Q. And that permit is going to be issued to the
23 utility then.

24 A. I would assume so, but I really don't -- I

1 never really talked to DES about how that
2 would work.

3 Q. I'm just trying to figure out who's
4 responsible for the quality of the water
5 that gets delivered from that site.

6 A. There really shouldn't be any issue with it.
7 But, you know, I mean, it's -- I can't
8 imagine there would be. But I don't know
9 the answer to that.

10 Q. Okay. Well, that's something we need to
11 find out: Who is the permit going to be
12 issued to, and who's responsible for meeting
13 the conditions of that permit? Is it your
14 parents or is it the utility?

15 A. Right. Okay. I can definitely check on
16 that.

17 CHAIRMAN IGNATIUS: Well, is the
18 permit application something that's already in
19 the record?

20 THE WITNESS: Yeah, I believe it
21 is.

22 MR. RICHARDSON: There is an
23 application for preliminary permit that is
24 submitted to DES under the DES-approved

1 schedule, and that's in LWR [sic] Exhibit 14.
2 And there are other documents that the
3 Company's also provided that are not included
4 in that exhibit but that relate to some of
5 those questions.

6 For example: The Company has
7 proposed to DES and OCA, and provided to
8 Staff, an explanation of its view of how this
9 ultimately would be transferred as a Lakes
10 Region Water utility property. And we were
11 contemplating filing an affiliate agreement.
12 We were contemplating basically requesting
13 either a step increase as part of this case --
14 which is now no longer a proposal that we're
15 making. It looks like it will have to come in
16 a future case.

17 Q. (By Mr. Harrington) Okay. So in LRW 14
18 there's a preliminary report form for new
19 small production wells for small community
20 water system, dated December '07. That's
21 the form, I guess. The date is February 29,
22 2012. And it lists the water system owner
23 as Thomas Mason, Jr., president of Lakes
24 Region Water Company, and the well site

1 owner is Tom and Barbara Mason of
2 Moultonborough, New Hampshire.

3 So, am I correct in assuming, then,
4 that the permit is being issued to Thomas
5 Mason, Jr. or the Lakes Region Water
6 Company?

7 A. I would say that, but I don't know without
8 talking to DES specifically.

9 Q. Maybe that's something we can come back to
10 later on and find out exactly what's going
11 on. I'm just trying to determine -- this
12 permit is going to have a number of
13 conditions on it, and I'm trying to figure
14 out who's responsible for making sure those
15 conditions are complied with.

16 A. Sure.

17 MR. RICHARDSON: And if I may
18 provide kind of my legal analysis in response
19 to that question. My view is that the
20 permittee will be the utility. And the DES,
21 we're expecting, is going to require an
22 agreement or a letter, basically some type of
23 bonding commitment from the owner of the
24 property that it is not going to be used for

1 any purpose that's inconsistent with its use
2 as a water well supply, which basically
3 restricts the use of the property. And that
4 is something we're expecting DES is going to
5 request. So I think that, to me, that kind of
6 answers the question as to how DES is looking
7 at this as a permit that will be issued to the
8 water utility -- that is, regulated as a water
9 utility -- by DES for a public water system,
10 with the understanding that they're
11 essentially issuing a waiver to allow an
12 informal agreement to protect the property
13 rather than outright ownership or a recorded
14 easement, and the primary reason being that
15 there's an issue with the underlying cost of
16 the land that would have to get resolved. And
17 that's the primary reason why, at least my
18 understanding -- I wasn't involved in the
19 earlier phases of this proceeding. But that's
20 the primary reason why the Mount Roberts
21 project was basically taken out of the
22 Company's rate request in this case.

23 CMSR. HARRINGTON: To make that
24 answer a little bit shorter than, the Lakes

1 Region Water Company, the utility, will be
2 issued the permit, and they will be
3 responsible for complying with the terms of
4 that permit.

5 MR. RICHARDSON: Absolutely,
6 because they put the water in the pipes.
7 So...

8 CMSR. HARRINGTON: Thank you.

9 Q. (By Mr. Harrington) And just to get back to
10 it again, since you don't own any of the
11 equipment on there, none of that is
12 obviously being placed in the rates at all.

13 A. No.

14 Q. Okay. And you mentioned -- if there was any
15 maintenance or electric cost, how will you
16 be collecting the costs associated with
17 that, I mean, if you have to pay for the
18 electric bills for the pumps?

19 A. It's a separate service, and it only goes to
20 the tanks and to the wells. You know,
21 there's a --

22 Q. No, I don't mean physically how you know how
23 much it is. Where are the funds going to be
24 coming from to pay for running pumps that

1 are not in your rate base?

2 A. They're going to have to come from the
3 general operations.

4 Q. And are those accounted for in any of your
5 present rates right now?

6 A. Those -- I would say no.

7 Q. And you've excluded them from this filing.
8 So it sounds like these pumps will be
9 running sometime this summer. So the cost
10 of running that Mount Roberts equipment will
11 come in as a loss to the Company then?

12 A. I would say so.

13 Q. Okay.

14 A. I don't think it's a ton of -- you know, a
15 very substantial amount of money. They're
16 not huge pumps. They're, you know -- I
17 would say the electric bill up there
18 probably isn't over, you know, maybe \$500 a
19 month, four or \$500 a month. We're talking
20 about a limited -- you know, probably, say,
21 late June, July and August. So it's not a
22 huge amount of money.

23 Q. And then, again, the future of this will be
24 determined about what happens on the need

1 for the -- I can't remember the name of the
2 company -- to wholesale the water to?

3 A. Correct.

4 Q. A couple quick questions on the company
5 structure. I'm still trying to get this
6 straight.

7 The company is -- the company itself,
8 the utility, is owned a hundred percent by
9 your parents.

10 A. Right.

11 Q. Okay. And they're the stockholders and also
12 the board of directors.

13 A. They're part of the board of directors,
14 right.

15 Q. Right. And who appoints the board of
16 directors?

17 A. That was before my -- I'm not really sure on
18 that answer. I mean, my parents own a
19 hundred percent of the stock. I suppose
20 that they -- you know, how it happened was
21 we all sat down as a family and discussed,
22 you know, that everybody be included in some
23 way in the company as a board member or --
24 in my case, I run it. I'm not even on the

1 board.

2 Q. I'm just assuming that there has to be some
3 methodology, some legal process where
4 somebody, maybe two stockholders, since they
5 own the whole company, we're going to
6 appoint A, B and C to the board of
7 directors.

8 A. Yeah, we -- our past lawyer, Don
9 Crandlemire, added my sisters to it a year
10 or so ago, or a couple years ago. I'm not
11 exactly sure when. And -- however, I don't
12 remember the legalities of it at the time.

13 Q. Okay. All right. Well, we'll just leave
14 that alone then.

15 On Exhibit LW -- LRW 6, Page 6, which
16 is your rebuttal testimony --

17 A. Excuse me?

18 Q. Your rebuttal testimony. Sorry. Is this
19 thing not close enough so you can hear me?

20 You mentioned the five-year capital
21 improvement plan. And we discussed a little
22 bit about this earlier. And if you would go
23 to LRW 12, Page 6, that's the settlement
24 agreement from 2008. And in the settlement

1 agreement there were two -- there appear to
2 be two filings that were required. One was
3 on Page 2, under Section A, which was
4 covered by the stipulation agreement that
5 was discussed earlier. But there was also
6 another filing on Page 6, Section E, little
7 I, where it talks about Lakes Region agrees
8 to prepare a construction budget for 2008
9 through 2010 and agrees to prepare a source
10 and use of funds statement for that same
11 period.

12 Now, the five-year budget that we
13 discussed earlier that was in your rebuttal
14 testimony, I haven't been able to find
15 anything equivalent to that. Was a
16 construction budget for 2008 through 2010
17 ever prepared and submitted?

18 A. I believe that was a time when we were
19 having all the meetings, the quarterly
20 meetings with the Staff, DES. And I think
21 OCA was there also. I believe that what we
22 did is we kept working through construction
23 agreements and talking about them. I don't
24 know that there was one officially put

1 together like the 2011 one.

2 Q. Okay. And getting back to the present
3 construction budget, which would be in your
4 pretrial filing -- I think that was the one
5 that there was some debate over which
6 exhibit it is. I believe it's exhibit --
7 well, Page 33 of LRR -- LRW Exhibit 6. And
8 there's a list there for capital projects
9 from 2000 to 2016.

10 A. What page did you say again?

11 Q. Thirty-three. It's part of attached
12 Exhibit E.

13 A. Yeah, I got it.

14 Q. I believe, and I just wanted to confirm
15 this, that you had mentioned earlier that
16 not everything from 2011 had been completed;
17 is that correct?

18 A. Correct. There's still some items on there
19 that didn't happen.

20 Q. How much? I mean, can you just give me a
21 rough figure of the money? How much? Are
22 we -- there's quite a bit of money here.

23 A. Yeah, right. I don't have a breakdown.
24 What we had done is we prepared it by

1 division, by the 17 divisions, and kind of
2 got lumped in here. So I'm not actually
3 exactly sure on some of these things which
4 projects --

5 Q. Could we say, then, in rough figures, half
6 of them remains to be completed, a quarter
7 or 90 percent?

8 A. I'm going to guess half. But that's
9 strictly a -- until I look at exactly
10 what -- like replacement undersized main,
11 I'm not sure exactly where that was.

12 Q. And just a follow-up to, I think -- I'm not
13 sure whose question it was earlier, but they
14 talked about this. I mean, we have things
15 in here like repair and replacement, which I
16 assume some of that would involve looking at
17 pumps and meters and office equipment. Many
18 times that's going to involve maintenance
19 work, not capital replacement. But this is
20 just -- I'm trying to figure a way you'd
21 budget. You'd just put it all into the
22 capital budget? You don't break it down to
23 an O & M budget versus capital?

24 A. Oh, no. I think we have an O & M budget.

1 And these are -- you know, take computer
2 equipment, upgrade computer. We had to --
3 our software package that we had went
4 obsolete, and they wouldn't support it
5 anymore. So then we had to go out and do
6 something different.

7 Shop equipment, tools. I'm sure that's
8 some new equipment that we bought. I think
9 it was some electrical meters we used for
10 testing certain electrical issues.

11 Q. There's a lot of repair and replace. So is
12 that just because you don't know what you're
13 going to do, or is that standard terminology
14 you use when you feel you're going to
15 replace something?

16 A. Repair main on Valley Road... replace main
17 on Valley Road?

18 Q. Well, if you look at various years, it shows
19 up in quite a few place.

20 A. Oh, yeah. If you look at, like, repair
21 existing well, it means you kind of rehab
22 it. You got a well that's in place. You
23 can go down and have ways of cleaning them
24 to make them better.

1 Q. Okay. I'm just trying to figure. Those you
2 consider capital cost, not O & M cost.

3 A. Yes.

4 Q. Okay. All right. Thank you. I'm sorry
5 about jumping around here a little bit with
6 my questions. I haven't had a chance to put
7 them in specific order.

8 A. Sure.

9 Q. I'm trying to get a handle on who performs
10 the overall engineering management of the
11 system. And by that I mean, you have water
12 systems have a constant barrage of new
13 regulations, as you're -- I'm sure you're
14 aware of, that come at you. You have
15 different things with capacity changing
16 because you're bringing on new houses onto
17 the system sometimes.

18 A. Right.

19 Q. You have something that breaks or whatever.
20 Is there anybody that's performing like
21 the -- who does that function of the
22 engineering management of the system to
23 ensure that it's going to work and it's in
24 compliance with the -- with all the permits

1 and so forth?

2 A. Jake, right there. Jake Dawson, with the
3 white tie. He is kind of like our systems
4 specialist, as far as contact with the
5 State, working with the DES, working with
6 the different programs that are out there
7 and available, planning what needs to do --
8 what we need to do, when. You know, we have
9 a ton of telemetry out there now that tells
10 us we can pick up -- you know, it's a cell
11 phone base that goes to a web site,
12 basically. So we can pull all that up, and
13 we can actually tell when there's a leak in
14 a subdivision. We pretty much get an idea
15 pretty quick by tracking things. And he
16 monitors all that stuff to make sure that it
17 goes -- you know, that we get people out
18 there because it's using too much water or
19 too much power. You know, we track our
20 power usage, see if there's any changes in
21 power over a period of time.

22 Q. So you have somebody that's performing that
23 function.

24 A. Yeah, yeah.

1 Q. I just wanted to make sure. And again, I
2 apologize for jumping around. But getting
3 back to the Staff Advocate exhibits, which
4 were 8 and 9, having to do with the
5 affiliate agreements.

6 A. Okay.

7 Q. And there's also, I believe, LWR [sic]
8 Exhibit 10 was another example of an
9 affiliate agreement.

10 A. Hmm-hmm.

11 Q. And one of the questions I had, there was
12 some discussion on a few things on here.

13 First, when it talks about the
14 contractor -- water company utilization of
15 contractor personnel in any of these
16 agreements and there's a rate that comes up
17 down there, you had said, for example,
18 personnel, including a pickup vehicle, was
19 the same as what you see in the Appendix A,
20 which lists things like employee's hourly,
21 payroll tax, et cetera.

22 A. Correct.

23 Q. There doesn't appear to be an overhead cost
24 in there. Is there somewhere?

1 A. There -- well, the overhead cost... well, I
2 actually don't know how our accountant
3 figured it out. I couldn't tell you. What
4 we did is -- he's pretty thorough.
5 Normand's pretty thorough. And basically,
6 he came up with numbers that represented
7 everything, you know.

8 Q. So it's safe to assume something in there --

9 A. Yeah, there's --

10 (Court Reporter interjects, as parties
11 are speaking at the same time.)

12 Q. -- accounts for the cost of the building,
13 for administrative staff, for telephone
14 bills. All that gets somehow filtered down
15 into these hourly rates.

16 A. I believe so.

17 Q. Okay. Thank you. And one other question I
18 had on those. If you go to the Staff
19 Advocate's 8, at that point, under
20 Appendix A, it says "contractor utilization
21 of water company personnel." And it has the
22 personnel, including the pickup vehicle, and
23 it says \$50 an hour. Then, if you go to
24 Staff Advocate 9, the same thing under

1 Appendix A, personnel, including the pickup,
2 goes to \$19 an hour. And that was held
3 through to LRW Exhibit 10, where it's still
4 the \$19 an hour. And I believe you said
5 that that's probably gone to \$25 now.

6 A. Correct.

7 Q. Why was it \$50 for, I don't know how long?
8 At least in 2008 it was \$50, and then it
9 went down to 19.

10 A. I don't know that it actually was. This was
11 a first attempt, and it was when we were
12 doing the meetings with Staff and everybody.
13 And the original thought -- you know, when
14 you first look at it -- or we first looked
15 at it, we thought, well, it should probably
16 be even on the first look. But once we
17 started to figure out that there was an
18 issue with that -- you can't send somebody
19 out, and I can't charge extra money for
20 them; so I can only charge what I charge my
21 normal customers, which didn't leave any
22 money for LRW Water Services. If I was
23 paying Lakes Region Water \$50 and charging
24 them out at \$65, there just wasn't enough

1 there to do it. So then we got looking at
2 more of a cost-of-service type of thing, you
3 know, what it actually cost the water
4 company.

5 Q. Okay. You were asked about bidding, and it
6 appears that your answer was for projects
7 and maintenance from the utility, and that
8 on the day-to-day activities, a leak in the
9 line or something like that, it just didn't
10 lend itself towards bidding it out because
11 you needed someone that was familiar with
12 the system who could respond pretty rapidly,
13 like a service company does.

14 A. Correct.

15 Q. Now, what about -- you have scheduled
16 maintenance on capital projects. Let's say
17 you know that once every five years you're
18 going to pull apart Pump 21 or whatever and
19 do some work on it, and you're going to
20 schedule that for April because it's a
21 low-usage month or whatever. Do any of
22 those projects get bid out, or do those
23 automatically go to the service company as
24 well?

1 A. Some of them get bid out. The majority of
2 them -- it ends up being that we get very
3 leery about projects, because at the end of
4 the project we have to pay the contractor.
5 And what ends up happening is, you know,
6 when LRW Water Services does it, it can keep
7 the bill, you know, and pay it over a year
8 or whatever. But if you go and hire the
9 contractor to do the same job that you can
10 do -- and then at the end of the job,
11 obviously the guy wants to be paid. It
12 makes it kind of difficult.

13 Q. Okay. But if I were to ask, then, you would
14 be able to show me examples of where some
15 projects had been bid out.

16 A. Oh, sure.

17 Q. Okay. But the main reason that you -- I'm
18 trying to figure out how you incorporate
19 that into the cost.

20 I guess what you're saying is the
21 service company sort of floats the cost of
22 this for some period of time at no charge to
23 the utility.

24 A. Exactly.

1 Q. So when you incorporate that into the cost,
2 they're coming out cheaper, you believe, in
3 the long run?

4 A. Yeah. I mean, it gives us time to pay it
5 off in incremental amounts and there's no
6 interest involved. And it takes some of the
7 stress off the water company.

8 Q. Okay. There was some statements made
9 earlier -- and I guess it's taken from
10 various parts the testimony. But it was
11 said that one of the problems was the lack
12 of the ability to borrow money from other
13 than the shareholders was one of the
14 problems facing the utility, as well as the
15 lagging nature of step increases for capital
16 expenditures.

17 Am I correct in assuming that the
18 particular rate case that we have in front
19 of us now will not cure those problems?

20 A. Anything will help. But until the company
21 has a positive cash flow, it's hard to
22 attract people to -- you know, even banks --
23 to fund things. I've had many banks say
24 they were willing to fund things, but their

1 problem is they get hung up on the fact that
2 I can't show a repayment method that seems
3 to work through the rates. Again, when you
4 look at the length of a note, or even a
5 20-year note, and you get 50-year payback
6 from the customers, they look at that and
7 they go, That doesn't make any sense to us.
8 You can't -- you know, we can't see how
9 you're going to pay that payment every
10 month.

11 Q. Okay. And as far as the "other than from
12 the shareholders," that would represent your
13 mother and your father --

14 A. Correct.

15 Q. And I think you said earlier that one of
16 your sisters now has power of attorney for
17 your father?

18 A. She does.

19 Q. So her and her mother are the two that would
20 make any future decisions on the
21 shareholders loaning more money to the
22 utility?

23 A. I would think it would probably be the three
24 girls -- the two sisters and my mom.

1 Q. Okay. But only one of them actually has
2 power of attorney --

3 A. Power of attorney, right.

4 Q. -- for your father.

5 A. Both of them are on the board of directors.

6 Q. And along that line, there was a
7 statement -- I think it was made by you.
8 I'm not quite sure. But it was in the
9 testimony that sometimes the loans made by
10 the shareholders to the utility could not be
11 paid back. So they were -- the shareholders
12 were given -- were paid off in equity. And
13 I'm just trying to work that out in my mind.

14 If they own a hundred percent of the
15 company already and they loan additional
16 money to it, how -- where does the equity
17 come from to give to them since they already
18 own all the equity in the company?

19 A. It doesn't. What ends up happening, it just
20 gets turned into equity. You know, they
21 invested about \$850,000 a couple years ago
22 in the company, and it just -- it's part of
23 the equity of the company now. They don't
24 get anything back out of it.

1 Q. Okay. So it just becomes part of the
2 company. In other words, the loan is
3 written off and --

4 A. Right. There's no way for the company to
5 pay it back. So the reality was we just
6 decided that, rather than calling it a loan,
7 that we might as well just make it equity.

8 Q. I'm not an accountant. So let me give you
9 an example and see if I can walk through
10 this, just so I can follow it.

11 Let's just say the company was worth a
12 million dollars. The shareholders loan the
13 company \$500,000. A year later, everyone
14 decides there's no way the company can pay
15 the \$500,000 back. Presumably it went to
16 something into the company to increase the
17 capital value of the company. So that's
18 just turned over to the shareholders as
19 equity. Is that kind of the way it works?

20 A. Well, I don't know if it's -- it's not --
21 they don't have access to it. It's in the
22 company.

23 Q. It just remains in the company which they
24 own.

1 A. Yeah. They don't get a dividend. They
2 don't get anything like that. It's just
3 straight -- it increases the value of the
4 company, the equity in the company, but
5 purely on paper. You know, they don't --
6 there's no dividends.

7 Q. And you had mentioned that no one would loan
8 you money. That's a big problem. Yet, you
9 had that ARRA loan through the SRF, who were
10 willing to loan you money at a very, very,
11 very, very good rate. Better than you're
12 going to get from any bank.

13 A. Right.

14 Q. In fact, if you look at some of the money
15 borrowed over the years, it would be in the
16 vicinity of maybe 50 percent of the rates
17 you're talking about, or less.

18 A. Right.

19 Q. And yet, you didn't take that. And it seems
20 like -- and I'm still trying to -- I
21 understand you're trying to pay back this
22 40 -- the depreciation is 40 years and the
23 loan terms are 20. But how are you going to
24 get any more money? I mean, is there

1 something better than that available?

2 A. No. I mean, what we -- well, sort of now.
3 After Sarah Pillsbury sat through the
4 meeting on Friday, she called me on Monday,
5 and she had contacted the Feds and talked to
6 them and had come to the conclusion that she
7 could actually offer a longer term note
8 because she saw there was a real issue with
9 the problem there, you know, the payback
10 problem. She informed me on about Tuesday
11 that they had okay'd it, and that if -- we
12 had put in two applications for SRF money
13 about a month ago. I don't know where we
14 rank. But we put in some apps. And that
15 we -- you know, her feeling was we could
16 probably at least extend it out to 30 years.

17 Q. And if you were able to get a 30-year term,
18 that would be something then you'd be much
19 more willing to consider?

20 A. Well, anything closer is better. But I
21 still have to get to the -- you know, I
22 really have a hard time until I can get to
23 the point that, if my payment's \$1,000 a
24 month, that I collect \$1,000 from the

1 customer somehow.

2 Q. And given the -- let's just say -- let's
3 assume that somehow the 30 years was
4 sufficient. That still leaves the hurdle of
5 having your parents co-sign, if you will,
6 for the loan. Would that still be an issue
7 or --

8 A. Well, it's not -- I don't think it's an
9 issue. It just becomes -- I mean, they have
10 to be guaranteed that there's enough money
11 to pay the note. And I don't think anybody
12 would sign, personally guarantee a note that
13 they knew they couldn't pay. I mean,
14 they're both -- it's not like they can go to
15 work. They're both fairly -- you know, they
16 can't supply more money into that note than
17 what comes in from the company. So if the
18 note exceeds the amount that they're getting
19 a month from the customer, I don't know how
20 you pay the note back.

21 Q. But they did sign notes like that in the
22 past before.

23 A. They had. Again, I'm not sure I would.

24 Q. You had said the other day, I think it was,

1 that the design basis of the company --
2 meaning the whole structure -- is based
3 around the demand for water in the first
4 week of July.

5 A. Correct.

6 Q. Okay. So it seems to me as if you have a
7 structure set up where for a very short
8 period of time you have a very high demand,
9 and for a very long period of time you have
10 a fairly small demand; yet, your collection
11 of payments is based on per gallon of water
12 consumed.

13 A. No.

14 Q. Okay.

15 A. We have a huge base charge per quarter. I
16 mean, that's --

17 Q. That's what I was trying to get. How much
18 is that?

19 A. Yeah. I don't know the exact number. But I
20 think it's -- on the metered customers, it's
21 around a hundred and -- hang on --

22 AUDIENCE MEMBER: Hundred ten.

23 A. A hundred and ten dollars a quarter. That's
24 if you use water or you don't use a drop.

1 Q. Okay. So that would work if -- you get
2 charged on the per-gallon -- you accumulate
3 on the per-gallon basis, and if that stays
4 below \$110, you pay that.

5 A. No, no. You --

6 Q. You pay the \$110.

7 (Court Reporter interjects, as parties
8 are speaking at the same time.)

9 Q. The \$110 is the minimum quarterly charge,
10 regardless of how much water you use.

11 A. Correct.

12 Q. And if you use enough water so that your
13 bill on a per-gallon basis goes above \$110,
14 what happens then?

15 A. No. What happens is it's a base charge that
16 everybody gets charged, no matter whether
17 you didn't even use your house.

18 Q. Okay.

19 A. And then it's \$4 and something cents per 100
20 cubic feet beyond that. Our average person
21 uses about 2700 cubic feet a year. So
22 that's 27 times \$4 and whatever cents.
23 That's an average water bill. It works out
24 to be, for a metered customer, about \$490

1 per year is what our average metered
2 customer uses.

3 Our average fixed-cost customer, which
4 is it's a straight math deal, no meters,
5 where they just pay four quarters a year --
6 you know, once a quarter for four
7 quarters -- is about -- I think it's
8 slightly less, \$465-ish, \$470.

9 Q. Now, I'm a little confused. Getting back,
10 you said it was \$490 per year for your
11 metered customers?

12 A. That's an average.

13 Q. And that's the charge above and beyond the
14 \$110 a quarter?

15 A. No, that's inclusive.

16 Q. So, that's \$440 base charge. So your
17 average customer only pays \$50 a year based
18 on usage?

19 A. That's why we're not really thrilled with
20 meters, because 82 percent, roughly, of our
21 people are second-home people. And they
22 just -- you know, they don't use a lot of
23 water. The PUC's web site says that the
24 average person uses 8800 cubic feet. Well,

1 our metered data that we've had for 25 years
2 now says that our customers only use
3 2700 cubic feet on average.

4 Q. Okay. Have you looked into, then, raising
5 the base charge to account for the fact that
6 it's sort of like a demand charge we impose
7 on electric companies -- or electric
8 customers, where you want to use -- you have
9 all the water you want on July 4th, but you
10 use so little water the rest of the year?
11 Is the base charge -- doesn't seem
12 sufficient to cover this.

13 A. Correct. And normally when we get a rate
14 increase, it's base charge -- you know,
15 there's always an addition to the base
16 charge. And then there's usually a small
17 addition to the metered charge. You know,
18 we'd rather have it in the base charge for
19 increases. But we have to work with PUC
20 Staff to kind of coordinate that.

21 Q. So the base charge is just paid
22 regardless --

23 A. Regardless.

24 Q. And you said it was four something for a

1 cubic foot of water for 100 cubic feet --

2 A. For 750 gallons.

3 Q. Okay. So if you use 750 gallons in one
4 quarter, you'd be charged \$110 plus the
5 four-something.

6 A. Correct.

7 Q. Okay. So I can understand how that goes.
8 That's all I have for right now. Thank you.

9 CHAIRMAN IGNATIUS: Mr. Scott.

10 INTERROGATORIES BY CMSR. SCOTT:

11 Q. Good afternoon.

12 A. Hi.

13 Q. On your reply testimony, which is LRW
14 Exhibit 6 -- you've kind of already talked
15 about this -- on Page 31 you have -- you
16 talked about earlier the business finance
17 authority letter. In my paraphrasing, not
18 yours, it seems that one of the concerns
19 your senior credit officer had was the fact
20 that at the time there was a civil suit
21 hanging over the Company's head. Again,
22 this is my paraphrasing, not yours. But
23 that created an uncertainty on what would
24 happen financially for the Company. And

1 that seemed to me one of the main reasons,
2 in reading this document, why they were
3 recommending perhaps this not be approved.
4 Is that fair?

5 A. Well, it definitely was, you know, a problem
6 at the time. That was during the court
7 case, and it kind of all coincided at the
8 time, definitely.

9 Q. So can you update us on the status of that
10 civil suit?

11 A. The civil suit is still -- I won't say it's
12 out there. What it is, we just went before
13 the Supreme Court with some questions over
14 Consumer Protection Act, in which we -- our
15 team was successful in getting that changed
16 around. So at this point, we're trying to
17 close it out. At this point, it's a low
18 dollar, no matter what. It's not a whole
19 bunch of issue.

20 And as far as the monetary fine, that
21 was for three years. And that will be done,
22 I believe, in late September, our fine
23 schedule and our probation or whatever you
24 want to call it.

1 Q. So, based on those two things you just said,
2 that seemed to take away a fair amount of
3 why the credit officer was suggesting you
4 don't go ahead with the SRF and the stimulus
5 money.

6 A. Oh, I'm sure it helped -- I mean, I'm sure
7 that wasn't a good thing.

8 Q. And you just discussed with Commissioner
9 Harrington the SRF and the fact that DES has
10 said maybe we can do this over 30 years now.

11 A. Yes.

12 Q. What I didn't hear from you is are you
13 planning on going ahead with that? Or
14 what's the Company's plan at the moment?

15 A. Well, I'm hoping to -- one of the reasons
16 we're here in front of the PUC today is to
17 try to work out a way that works for us.
18 I'd borrow money in a heartbeat, as long as
19 I can pay it back. I don't want to get in
20 the position where I can't pay the money
21 back. There's not enough of a revenue
22 stream to pay the note back. It just
23 doesn't make sense to me. Thirty definitely
24 helps. And it might work. I don't know. I

1 haven't figured out the numbers yet. It
2 might help and it might make it work. But
3 to go the opposite way and say, all right, I
4 know that I'm going to be setting up -- I'm
5 going to have to find a way to subsidize
6 this, I don't know how you do that for a
7 small business.

8 Q. Okay. Also in the same document, but on the
9 next page, which is actually Page 32, your
10 Exhibit E on LRW 6, right in the center it's
11 labeled 2, starting with Deer Run?

12 A. Yes.

13 Q. The next one down says Far Echo, and it
14 says, with an asterisk, "NOV status." I
15 assume that's notice of violation?

16 A. Yeah. I don't believe there's any NOV's on
17 there right now. The only thing we had to
18 do was... can I ask Jake? I'm not exactly
19 sure.

20 MR. DAWSON: At the time of that
21 document being put together, there was a
22 possibility of an NOV. But we've corrected it
23 since. That was for the --

24 (Court Reporter interjects, as parties

1 are speaking at the same time.)

2 MR. DAWSON: That was for the
3 lead and copper issues. It never made it into
4 any type of enforcement process.

5 CHAIRMAN IGNATIUS: For the
6 record, you are?

7 MR. DAWSON: I'm Jake Dawson
8 from Lakes Region Water Company.

9 Q. (By Cmsr. Scott) So, on the same venue,
10 other than -- as you mentioned before, so
11 there's no other outstanding NOVs or no
12 violations --

13 A. No.

14 Q. -- outstanding --

15 A. No.

16 Q. -- other than the Mount Roberts LOD?

17 A. Correct.

18 Q. All right.

19 A. And we've worked extensively with DES on
20 that. We've had tons of meetings about
21 where we're going and how come it's taken so
22 long to deal with.

23 Q. Mr. Harrington covered a lot of my
24 questions, so --

1 CHAIRMAN IGNATIUS: That's a
2 good thing.

3 CMSR. SCOTT: Yes.

4 Q. (By Cmsr. Scott) The board of directors.
5 Could you help me a little bit more with
6 their involvement? Do they have any
7 involvement in the management of the
8 company?

9 A. No, not really. They're just on the board
10 of directors. Both of my parents definitely
11 are not involved. And my sisters are --
12 they both have their careers. Other than
13 getting together every few months to talk
14 about what's going on -- and we update them
15 on the phone pretty regularly -- I'm pretty
16 much in charge of the whole thing.

17 Q. So what would you say the board of directors
18 do then?

19 A. I think they're there to, you know, oversee
20 everything and be on board. I don't know
21 that they have any, you know, official
22 capacity. Neither one of them are in the
23 water business. Have never been involved in
24 it. So they kind of rely on me to make

1 decisions, to make -- to run the company
2 correctly.

3 Q. On a similar vein, you mentioned earlier,
4 unfortunately, sounds like your dad's not
5 doing so great.

6 A. Yeah. No.

7 Q. And possibly your mom, too, it sounds like.

8 A. They're both getting older.

9 Q. Both for the board of directors and as
10 owners, is there succession planning in
11 place?

12 A. Ultimately, I'll end up -- you know, I'll be
13 completely in control of the company. And
14 then neither my sisters have any interest in
15 it, so I'll have to work out something with
16 them.

17 Q. All right. I think that's all I have.

18 CHAIRMAN IGNATIUS: Thank you.

19 I have a few questions.

20 INTERROGATORIES BY CHAIRMAN IGNATIUS:

21 Q. Just a couple factual things to tie up that
22 I think you've probably spoken to, but I
23 wanted to be certain of.

24 The uranium treatment in the Tamworth

1 system, is that -- what's the status of
2 that?

3 A. That is under design. We have hired an
4 engineering company to look at, you know,
5 how to -- if it's worth dealing with,
6 basically. We're kind of limited on land in
7 Tamworth. And the well that has the uranium
8 in it is a pretty decent well. But what we
9 are now doing at the present moment is
10 trying to figure out whether it financially
11 makes sense to move forward, or is it better
12 to go find another piece of property. We
13 suspect it's probably treatable as a backup
14 well, as long as we don't want to run it all
15 the time. But I know the cost of running
16 the well would be pretty expensive.

17 Q. So the well is shut down for utility
18 purposes.

19 A. Yes. For any purpose.

20 Q. Go ahead.

21 A. I said for any purpose. It's just a capped
22 well at the minute.

23 Q. And is there a uranium issue with any other
24 wells that the utility uses?

1 A. I don't believe so.

2 Q. The affiliate agreements that are part of
3 this consolidated docket, we've had a lot of
4 questions about. And confess I didn't
5 follow the answer on why the amount that the
6 service company pays the utility for someone
7 in a pickup truck is different than the
8 amount the utility pays the service company
9 for someone in a pickup truck. And I know
10 you've explained it --

11 A. That's fine.

12 Q. -- but it didn't sink in. So let's try that
13 one again.

14 A. Okay. No problem. As far as the LRW Water
15 Services people, the only way that they get
16 paid is if they have billable hours to
17 somebody, whether it's Lakes Region Water or
18 it's Franconia or Alton or whatever. That's
19 how their money is generated. So if they
20 work for Lakes Region, that means they're
21 not working for somebody else. And I charge
22 Lakes Region \$50, which is \$15 less than
23 everybody else that I charge.

24 Q. Let's be careful, though, because when you

1 say "I," sometimes you mean I, the service
2 company --

3 A. I know. I understand.

4 Q. -- and sometimes the utility. So let's try
5 and use "service company" and "Lakes
6 Region," which is --

7 A. Yeah, I understand.

8 Q. Okay.

9 A. So LRW relies on billable hours to somebody
10 to pay the guys. The difference with Lakes
11 Region Water is, the way I read the rule for
12 affiliate, was that it is based on cost of
13 service or cost of what the employee is or
14 cost to the company, and that their pay is
15 derived from actual billing. They don't
16 have billable hours. They just have --
17 their pay is based in the rates of the
18 people. So they figure so many hours a
19 year, or however that works, and we have to
20 replace that money. We don't have to -- the
21 way I read it, it has to be replaced. We
22 can't pay less than what the company -- it
23 costs the company for this person. But that
24 is the way we base it. So we took and we

1 originally figured it out at \$19 or
2 whatever, right around there. That was
3 three years ago probably. A person, a
4 pickup and all the things that go along with
5 it cost that much money. At this point, I
6 think it's more in the \$25-an-hour range,
7 according to Normand, our accountant.

8 Q. And have you filed an amended affiliate
9 agreement to be considered at that different
10 rate? I mean, this is what's before us for
11 approval, so --

12 A. No, I haven't yet. I definitely can.

13 Q. Well --

14 A. That was part of the discussion this summer,
15 during the settlement discussions. And I
16 think at that time I also said that, you
17 know, we would be willing to readjust that
18 fee.

19 Q. I'm not asking to change things at this
20 point. And any further delay isn't good for
21 any of us right now. You keep sort of
22 switching between what's in the documents
23 and what might be a good idea.

24 What's been filed for approval, I take

1 it for the first time, is an affiliate
2 agreement that the Company's marked as
3 Exhibit 10 and has the rate of \$19 when the
4 service company needs to use a utility
5 company employee; correct?

6 A. Correct.

7 Q. That's what Appendix A is.

8 A. Right.

9 Q. So the service company pays the utility \$19
10 an hour for any time that the utility
11 employee is doing work for the service
12 company; is that correct?

13 A. Right.

14 Q. And when -- looking at Appendix B, when the
15 utility uses the service company for some
16 help, it pays the service company \$50 per
17 hour.

18 A. Correct.

19 Q. Now, I know you've explained some reason why
20 that's fair, but it looks to me like it's
21 giving the service company the ability to
22 pay on the cheap and the utility company to
23 pay at a premium. So what am I getting
24 wrong here?

1 A. Well, it's not a premium. It's still less
2 than I charge everybody else.

3 Q. But the service company doesn't charge --
4 doesn't have to pay \$65 or \$50 when it
5 uses --

6 A. Right. I understand that.

7 Q. All right. So why is that --

8 A. I mean, the alternative, I guess, is -- and
9 I don't really care -- is that they don't
10 have this agreement and that -- I mean, it's
11 got to work out that my guys -- not my
12 guys -- sorry about that again -- I meant
13 LRW people, if it comes -- if they have to
14 do things cheaper or less money, they're not
15 going -- you know, they're going to go to
16 Franconia or wherever they got to go to get
17 paid, especially if they're waiting for
18 their money. You know, it's hard to say,
19 all right, we're going to put off this
20 paying job for one that pays less money.

21 Q. Well, I guess I don't disagree with the \$50
22 part. I'm concerned about the \$19. Why,
23 when one of the service company employees
24 needs utility workers to help out, why

1 aren't the service company employees paying
2 the utility \$50 an hour?

3 A. Because how do you -- you'd have to raise
4 the price on the top of that. In other
5 words, the customer who is ultimately paying
6 the bill, whether it be somebody, you know,
7 that went to Franconia to help one of the
8 LRW guys, the most you're going to get paid
9 is \$65 an hour. So there's either \$15 there
10 for -- it just doesn't make sense. It would
11 be cheaper to hire somebody and just pay
12 them full time than it would be to pay \$50
13 an hour for a guy that you could pay -- you
14 know, you can hire every day of the week for
15 \$16, \$18. It's confusing.

16 Q. Also on that agreement you list office
17 services, \$50 per month. Is that a
18 regular -- every month that is a charge?

19 A. Yeah. All it is is, you know, somebody
20 answering the phone once in a while. All
21 the office stuff for LRW Water Service is
22 done over at their office. But we do share,
23 you know, answering the phone once in a
24 while in the office. Somebody will answer

1 the phone, and it'll be somebody looking for
2 the water service company. It happens
3 pretty regularly. So we put in a \$50 thing
4 just to give them something. Other than
5 that, they don't do anything.

6 Q. So the utility receives \$600 per year in
7 revenue from the service company for office
8 services?

9 A. Yeah.

10 Q. And in the earlier version of this agreement
11 that was signed, but we're not certain about
12 the effectiveness, the one from 2008, that
13 rate was \$125 per month.

14 A. Yeah. Back then, they did share office help
15 at that point, and there was a lot more
16 going on with that, and they had more
17 responsibilities. But once I started
18 running the water company, I separated the
19 two because it was difficult and -- but I
20 wanted to give something because they did
21 answer the phone once in a while and take
22 messages or anything like that.

23 Q. All right. That makes sense. Thank you.

24 And looking again still at the Company

1 Exhibit 10, affiliate agreement on water
2 sample pickup and pump station inspection,
3 it says \$250 monthly. Is that a every-month
4 flat fee?

5 A. Correct. Yes.

6 Q. So the utility receives -- is that \$3,000 a
7 year in revenue from the service company for
8 that service?

9 A. Yes.

10 Q. There was one other item in the service
11 agreement materials, and this is from the
12 Staff's -- Staff Advocate's Exhibit 9. That
13 was the April 2009 version. And there's an
14 attachment. There's a letter attached to it
15 from the utility to Mr. Roberge. Do you
16 have that there? This is Staff Advocate 9.

17 A. I have staff Advocate 9, but I don't see a
18 letter.

19 CMSR. SCOTT: Very last page.
20 The last page.

21 (Witness reviews document.)

22 A. Oh, yeah.

23 Q. (By Chairman Ignatius) It's an unusual
24 couple of sentences there. Can you explain

1 the references to, "This is the rate,
2 whether you agree or disagree" and goes on
3 from there?

4 A. Normand and I had some pretty heated
5 arguments about what was the right way to do
6 this. And finally my sisters are like, just
7 tell him this is what you're doing. And
8 that's kind of the way it worked. We had
9 some discussions on how the best way of
10 making an affiliate agreement was, 'cause
11 we'd never done one before. He and I tend
12 to get a little testy with each other I
13 guess.

14 Q. I don't want all the dirty details, but what
15 was the nature of the disagreement over how
16 to do it?

17 A. You know, I don't even remember. It had
18 something to do with the way we were billing
19 from one to the other, and I don't even
20 remember what it was at this point.

21 Q. And you'd said earlier that you never had to
22 do an affiliate agreement, so you weren't
23 sure how to do it. Is that the fact that
24 you've never had to, or you had never

1 bothered to?

2 A. We never were asked. We never had to until,
3 you know, up until then, up until I took
4 over the company. I was -- I had helped my
5 dad a little bit in the water systems stuff,
6 but I pretty much stayed on my own side, did
7 my own thing. So whenever I did anything
8 for the water company, it was pretty arm's
9 length. You know, he'd have me, LRW Water
10 Services, do something. But no one had ever
11 asked us really about an affiliate agreement
12 because it didn't seem to be an issue at the
13 time. Once I took over both of them, then
14 obviously it became an issue that we had to
15 deal with.

16 Q. Are you aware that that statute's been
17 around for quite a while. It's nothing new.

18 A. I believe you. I just -- I had no idea.

19 Q. You had said that the systems that were
20 identified for the ARRA funding were not
21 necessarily the highest priority items.
22 They were shovel-ready projects that would
23 match up well with the ARRA requirements;
24 correct?

1 A. Correct.

2 Q. What are the highest priority capital
3 improvements that you see?

4 A. The highest capital improvements that are
5 out there are obviously Mount Roberts at
6 this point. Assuming something -- assuming
7 Suissevale stays with us, Far Echo Harbor,
8 which has an issue with where the wells are
9 and land. We're not in any compliance
10 issues with it, but I know someday it's
11 going to be an issue. That's probably the
12 highest one, and that's the one that I would
13 have liked to have gotten ARRA money. But
14 the problem is it's a lakefront community,
15 and it just didn't make the qualifications
16 for ARRA.

17 Q. All right. Anything else?

18 A. I believe probably the second one would be
19 Indian Mound, and that's a pump station and
20 a well replacement. And that's -- we're
21 actually in the design stages for that right
22 now. We're going to be looking at that and
23 contemplating doing that right off.

24 Q. All right. Do you have any rough sense of

1 the magnitude of those projects?

2 A. Well, kind of a guess as far as Far Echo,
3 because, again, it's in the high rent
4 district as far as land goes on Lake
5 Winnepesaukee. And we need a fair-size
6 piece of property for the well field. The
7 existing well is literally on the beach part
8 of the property. It's right next to their
9 marina and literally on their swimming
10 beach. It's not a good situation. It's
11 been there since the '60s. Sooner or later
12 that is -- you know, that's one of those
13 things that we've looked at and done a bunch
14 of testing. DES has done a bunch of testing
15 on it. And we're in compliance, but it
16 could change in a heartbeat. So that's
17 about a \$300,000 project, we think, to move
18 that well field and put a new tank in and
19 come up with another source of supply.

20 Q. How about the Far Echo Harbor project? Any
21 rough estimate of the magnitude of that?

22 A. Oh, I'm sorry. That was the Far Echo one.

23 Q. Oh, I'm sorry. I thought that was Indian
24 Mound. All right.

1 A. The Indian Mound one is a pump station that
2 is on a golf course fairway, and it
3 basically has problems. It has some issues
4 with the tanks that were installed. They
5 were used tanks when they were put in in the
6 '60s and at this point are really on
7 borrowed time. And at the same time, we'd
8 like to replace the well that's there.
9 There's a couple point wells that are
10 existing at this point. We replaced one of
11 the wells two years ago -- or three years
12 ago now, and we need to do another one.

13 Q. What would you estimate is the magnitude of
14 that project?

15 A. I think we guesstimated about 150.

16 Q. Mr. Mason, you said that part of what you
17 have to do when it's time to pay your bills
18 is assess who you can pay and who you can
19 put off a little longer.

20 A. Correct.

21 Q. You also testified earlier today that the
22 service company was only owed about \$3500;
23 am I correct?

24 A. I believe right now it's about \$3500.

1 Q. So how do you assess, and where is the
2 analysis and fairness of picking winners and
3 losers on who to pay off?

4 A. Well, there was quite a bit of money that
5 was earmarked for the LRW water service.
6 But with this whole realignment that we just
7 did with the pensions -- there was a 2010
8 update -- we agreed with Staff that we'd
9 take the pensions out. And what we ended up
10 doing was basically taking all the money
11 that was owed to LRW Water Service and
12 moving it over to take care of that pension
13 money that was -- that we decided -- or
14 everybody decided wasn't appropriate. So
15 that kind of washed the whole -- you know,
16 all the money. So now I have basically the
17 loan to my parents for that money.

18 So, as far as fairness, basically we
19 take care of the vendors that we use all the
20 time. The professional people are the ones
21 that pay -- you know, definitely pay the
22 price at the minute. I mean, we've spent --
23 you know, we're up well over 180 in this
24 rate case that, you know, I've tried to keep

1 giving people a little bit of money. But we
2 owe quite a bit on this rate case expense at
3 this point. That's a good portion of the
4 receivables -- I mean payables.

5 Q. But I take it you have chosen to pay
6 yourself, in effect, when the utility pays
7 the service company, of which both are your
8 entities, quite a bit more than you've
9 chosen to pay your engineers or accountants
10 or lawyers.

11 A. No, I don't think so. I'd have to go back
12 through the numbers from last year. But
13 other than that one transfer of money, there
14 really wasn't much of anything, you know.

15 Q. So you --

16 A. And that was just on paper only. It wasn't
17 actually cash.

18 Q. So the service company hasn't performed --
19 hasn't been owed more significant money than
20 the \$3500 that's currently due?

21 A. Well, it was. And like I said, with that
22 pension, it just got -- you know, I don't
23 know the exact numbers. I couldn't tell you
24 those off the top of my head. That kind of

1 transferred against the pension money, the
2 money that was owed to LRW Water Service.

3 And, no, actually, I probably wait
4 longer than most everybody. I mean, I get,
5 you know, \$500 here or a \$1,000 there. But
6 that's, you know -- I mean, I've had times
7 when it's been pretty high and, you know,
8 you get a little bit of money here and a
9 little there. And then we -- obviously we
10 swap off money between the two companies
11 with what they do for me. So that's always
12 adjusting also.

13 Q. Do you understand our concern and why there
14 have been so many questions today about
15 these affiliate arrangements, that it feels
16 so close -- and there's a lot of good about
17 being close -- but this feels so close as to
18 be undefinable in the mixture of regulated
19 entities and private ventures that can't
20 seemed to be pulled apart.

21 A. I think that's kind of -- I mean, most every
22 water utility that I know is the same way, I
23 mean, whether it's Pennichuck or it's... oh,
24 jeez, Lewis Builders there, whatever their

1 name is. You know, almost everybody has
2 some sort of an agreement with an affiliate
3 construction company, I believe.

4 Q. Couple more questions about the ARRA
5 decision-making. And I'll tell you again,
6 there's been a lot of questions, and it's
7 because, at least for me, there's a sense of
8 haphazardness about all of this that I can't
9 follow -- you can't follow the logic. And
10 so, to you an opportunity to help me
11 understand that it makes more sense than it
12 looks --

13 A. Hmm-hmm.

14 Q. You went through the approval process at the
15 Commission and went through the approval
16 process with the DES to obtain ARRA funds,
17 and then after an awful lot of time and
18 effort, you decide it's not a good idea,
19 based on the structure of the program being
20 a longer payback period than you thought you
21 could work with. But that wasn't anything
22 new. So if it's not the right structure for
23 you, why in the world would you go through
24 all of the time and expense of getting to

1 the point of getting those nearly approved?

2 A. Well, it was new to me. I had never dealt
3 with borrowing money for the utility ever
4 before. This was the first time. And when
5 you look at it at face value, it sounds
6 great. You know, it sounds very good. You
7 know, 50-percent forgiveness, low-interest
8 money. And that sounds wonderful. And
9 then -- but then, once we get down to the
10 brass tacks part of it and we're talking
11 about the payments and how it was going to
12 work, it became apparent that it wasn't
13 going to generate enough money to pay the
14 note. That was something I learned at the
15 end of it, not at the beginning. I mean,
16 today if you asked me that, I mean, even
17 today I would tell you right up front that
18 it doesn't work -- or it can't work.

19 Q. Well, then, let me ask you. I thought you
20 said a moment ago that a month or so ago you
21 put in two new applications --

22 A. We did.

23 Q. Let me finish.

24 A. Well, not a month ago, but probably -- I

1 probably did say a month. But I'd have to
2 look at the dates. But within the last
3 several weeks, put it that way.

4 Q. All right. So, new applications for a
5 similar loan program. Why was it a good
6 idea a few weeks ago to go forward with it,
7 when you said you only found out just a
8 couple days ago that they might change the
9 payback period?

10 A. I understand that. I'm hoping that we come
11 to some sort of terms during this hearing
12 that would make it make sense. That was one
13 of the reasons we're here is to come up with
14 a way that a small utility can borrow money
15 and make it work. That was -- you know,
16 that's been my hope through this whole
17 process, that we could work that out during
18 this process.

19 When we started the settlement
20 agreement -- I mean the settlement
21 conferences eight months ago or twelve
22 months ago, whatever it was, that was one of
23 the issues, was what can we do to make this
24 work. And we moved forward trying to make

1 that work. I think it's just due diligence
2 that I find -- I looked into the program
3 again. All it is to start with is a
4 one-page application that they rank you.
5 And you're going to know right away whether
6 you're at least on the rankings. It doesn't
7 mean you're going to get money. It just
8 means if you're below a certain level,
9 you're not going to -- you're definitely not
10 going to get the money. So it made sense
11 for me to take that 10 minutes to fill out
12 the form for the projects and see how we
13 ranked on it today, hoping that we could
14 work something out with everybody. I mean,
15 I had no idea that Sarah would come back and
16 say, you know, a 30-year note instead of a
17 20, which is obviously helpful. And I was
18 hoping that, you know, Staff, us -- you
19 know, Lakes Region -- the Commission, could
20 all try to figure out a way of making this
21 work, because I don't think it's something
22 that's just relative to us. I think it is
23 other water systems. I don't think we're
24 the only ones that are going through this

1 type of thing. I mean, I can't imagine
2 that, at least.

3 Q. We see an awful lot of ARRA SRF loan
4 requests and approvals here for small water
5 companies, so I think that's a little why
6 we're so baffled why it doesn't seem like
7 it's something that your company -- which,
8 by all your testimony, is in desperate need
9 for lending opportunities -- why it couldn't
10 take advantage of it.

11 A. I mean, you got to be -- I understand that.
12 But, I mean, seriously, if you were in a
13 business, would you -- I mean, would you do
14 it if you knew you couldn't pay the note
15 back? I don't understand -- it boils down
16 to being that simple: How do you pay the
17 note back?

18 Q. I'm not quarreling with you. I'm wondering
19 why you spend all of the time going through
20 the application process and the review at
21 the Commission and then say, oh, that's not
22 a very good idea.

23 A. Well, that was a learning experience. And
24 when you first say it, it sounds great. It

1 really did. I thought it was worth every
2 cent for the time we spent working on the
3 ARRA stuff. And we spent a ton of time on
4 it, you know, until we realized towards the
5 end of the process that it just wasn't going
6 to work for our company, and then it became
7 apparent that we couldn't do it.

8 Q. All right. No other questions. I
9 appreciate all of your time.

10 Oh, follow-up, I guess, each of you.
11 Yes, Commissioner Harrington.

12 CMSR. HARRINGTON: Just two
13 things.

14 INTERROGATORIES BY CMSR. HARRINGTON:

15 Q. I hate to even bring up the subject again,
16 but I just want to make it clear in my mind.
17 This is the affiliate agreement.

18 When we're talking about contracting
19 utilization of water company personnel, let
20 me try to walk through a scenario and tell
21 me if this is correct.

22 The time that the contractor would --
23 meaning the service company -- would utilize
24 utility personnel would be only limited to

1 the time when the service company was
2 performing work for the utility?

3 A. No, not for the utility. It would have to
4 be for somebody else. If they were working
5 for the utility --

6 Q. That's what I'm trying to get straight.

7 A. Yeah. I think, if I understand it right, if
8 the utility employees are doing something
9 that has to do with the utility, then they
10 just get their regular paycheck just like
11 normal from the utility. If they went and
12 did something for LRW Water Services, let's
13 say inspected a pump station or whatever --

14 Q. You mean in another town that has nothing to
15 do with them.

16 A. -- in another town, LRW would send the bill
17 out for \$65 an hour. And then, in turn, we
18 would -- their hours would go into the
19 column for LRW Water Service. So if they
20 work five hours, they would get paid five
21 hours out of LRW.

22 Q. Okay. And you had stated before -- and this
23 is what I think we're trying to get a handle
24 on. Make up a town. You know,

1 Nowheresville Water Company.

2 A. Okay.

3 Q. The service company gets a contract to do
4 some service for them, and it involves 10
5 hours' worth of work. They would bill them
6 for a pickup truck and a person \$65 -- or
7 \$650 for the job.

8 A. Right.

9 Q. Now, if they use a utility person to do
10 that, they would still get the \$650 from
11 Nowheresville, but they would turn around
12 and get a charge of 19 times 10, or \$190,
13 from the utility, which they paid. So
14 they'd make a net profit on that of the
15 difference between those two figures.

16 A. Right.

17 Q. So it would seem, then -- and this is what
18 we're trying to get to. It seems like
19 whenever the service company could use
20 utility personnel, it's a pretty lucrative
21 deal for them.

22 A. It doesn't happen very often. I mean, I can
23 go back through and pull through the amount
24 of times a year that that does happen. But

1 it's really not a huge number. It just is
2 when somebody happens to be in that area at
3 the right time that they go and do
4 something.

5 Q. So you're saying it's not a money-making --

6 A. No.

7 Q. It's just a convenience then.

8 A. It's just a convenience. That's all it is.

9 Q. Okay. All right.

10 Question on the follow-up to Chairman
11 Ignatius' question here on the projects and
12 the priorities.

13 You had said, and I believe, if I got
14 this correct -- was it Echo Harbor? Was
15 that the name of the project?

16 A. Far Echo.

17 Q. Far Echo Harbor. And you said it was about
18 \$300,000 to move the well from the beach to
19 some better location.

20 A. Correct.

21 Q. And I'm looking at LRW Exhibit 6, which says
22 capital projects, 2012 through 2016. And
23 it's a priority listing where 1 denotes the
24 highest priority. That project doesn't

1 appear on there.

2 A. Hang on. In my testimony?

3 Q. Yes. This is Exhibit E to LRW Exhibit 6,
4 which is your rebuttal or reply testimony.
5 Page 32.

6 A. Yes. If you go to Far Echo, halfway down it
7 says "Deer Run, well repair, \$10,000" right
8 underneath it.

9 Q. Okay. But that's -- okay. It's down there.
10 The reason I didn't see it, I guess, is it's
11 listed as Priority 2.

12 A. Oh, okay.

13 Q. That's changed now to highest priority?

14 A. Well, most of the other ones there's
15 something going on with. Paradise Shores, a
16 small community well approval, that's
17 already -- you know, that's something we're
18 dealing with now. Woodland Grove, the pump
19 station up there is under construction as we
20 speak. So that's being taken care of. The
21 Paradise Shores water main replacement is
22 not really a priority until we figure out
23 what Suissevale's going to do, because that
24 is something we're -- I don't know if we're

1 concerned it impacts them, but it's
2 definitely on the list of things that
3 they're interested in. And then Indian
4 Mound is the other project that we talked
5 about.

6 Q. So, since this was filed in December, the
7 priorities have changed, I guess.

8 A. Well, I don't know if they've changed. It's
9 just been some of them have started.

10 Q. Maybe that's what I'm having a little
11 trouble with. This is not priorities for,
12 then, completion of projects. This is
13 priorities for initiation of projects. So
14 if something's started, it moves down the
15 priority list?

16 A. I would say so because we're working on it.

17 Q. Okay. And the Indian Mound, complete pump
18 house rebuild listed as Priority 1, it says
19 here \$50,000. And I thought you said
20 \$150,000. Or am I confusing that with
21 something else?

22 A. No, you aren't, actually. We added -- this
23 should be updated. Since we wrote this, we
24 actually decided that we should probably

1 move the pump station from the existing
2 location to the side of the fairway. Right
3 now it's in the middle of a fairway for a
4 golf course. And through talks with the
5 golf course, they've said that they'd like
6 to -- you know, would prefer us to be on the
7 side of it. And if we do that, then that
8 means we have to move the well over near it,
9 too. So it kind of -- it upped the ante. I
10 don't -- it's probably somewhere in
11 between. As far as 150, that's just kind of
12 a high guess.

13 Q. And going back to what's listed here on
14 Page 32 is Far Echo -- and you refer to it
15 as Far Echo Harbor -- for \$300,000, flipping
16 to the next page, which is Page 33, which is
17 the capital project, where you break down
18 the costs, where does the \$300,000
19 associated with Far Echo Harbor appear?

20 A. It would be...

21 Q. Since most of these are project-specific --

22 A. Well, that's my problem. The way they wrote
23 this, it doesn't -- the way Normand put it
24 together, it really doesn't show me...

1 Q. Other than the Mount Roberts one, I can't
2 find the specific location.

3 A. Yeah. I'm assuming that part of it was
4 probably under 213, which would probably be
5 the 150 for the land and then 119 for pump
6 stations and maybe the 60. I'm just
7 guessing.

8 Q. Well, that brings me to, I guess, my
9 concern. Normally when someone comes up
10 with a capital project lookahead as you're
11 doing here on how you're going to spend
12 money, first, it's to be clear as to where
13 the money's going, not just that somewhere
14 you're going to repair and replace a meter
15 for \$5,000. I mean, you'd be -- most people
16 would be specific as to this is the project,
17 and we need to replace this meter or this
18 pump or whatever, and it's going to cost us
19 this amount of money. And when you have a
20 priority listing like you do over here on
21 Page 32, you use it as a -- it's a dynamic
22 document, okay. You set it up and you say
23 these are our priorities. And as things
24 change, you put up like a monthly update or

1 something so that you can look at this and
2 say, oh, okay, where do we stand now that
3 it's March as compared to December. And,
4 you know, based on what you just told me,
5 you know, if you won the lottery and
6 disappeared, no one would be able to figure
7 out what's going on with all this.

8 A. Oh, no. There's more data than what's right
9 here. It's just the way it's written.

10 Q. Okay. All right. But I would hope that
11 there's a --

12 A. And it was broken -- on all the other ones
13 it's broken down by the system. And for
14 some reason when this spreadsheet was done,
15 it was just kind of lumped together. I
16 mean, I definitely can get that updated and
17 get you the corrections.

18 Q. I guess I'd be interested in seeing what's
19 actually being used as a tool to plan your
20 expenditures in the future and your
21 priorities, because based on what we see
22 here, I don't see how anybody could -- this
23 is just totally inadequate for doing that
24 with. You need something that would be

1 project-specific, where you -- I mean, do
2 you use any type of project software where
3 you keep track of these to see what
4 percentage is done and deadlines and -- you
5 know, there's all -- there's various types
6 of canned software you can buy to manage
7 projects.

8 A. Not presently. But I mean, we're always
9 updating. You know, we've done a ton of --
10 you know, Jake's really good at that type of
11 thing. And we've done a ton of work similar
12 to that. We haven't done that with this
13 yet, but it's definitely something that we
14 can do.

15 Q. It just strikes me as you have all sorts of
16 projects going on. Because of the nature of
17 your business, you have them spread out over
18 a large number of different systems, and you
19 don't seem to have a central way of managing
20 cash flow; priorities; where you're going to
21 put your resources, such as people; if
22 you're hiring the service company, again,
23 there's so many resources there; which days
24 you want them to show up over here and so

1 forth. Microsoft Project or something like
2 that addresses all that type of stuff.

3 A. Right.

4 Q. And I think if you had some tools like that,
5 it'd give you a much better way of being
6 able to address your cash flow problems,
7 which seem to be your biggest issue.

8 A. Hmm-hmm. Okay.

9 Q. That's all. Thank you.

10 CHAIRMAN IGNATIUS: Commissioner
11 Scott.

12 INTERROGATORIES BY CMSR. SCOTT:

13 Q. Hi, again.

14 A. Hi.

15 Q. I apologize, but I'm going to beat this dead
16 horse on the affiliate thing to death until
17 I understand.

18 A. Okay. No problem.

19 Q. So, back to Mr. Harrington's example. So if
20 you -- "you" being the service company --
21 utilized a utility employee, the utility
22 gets \$19 in return per hour; correct?

23 A. Correct.

24 Q. What I'm curious about is how does that

1 square with the cost to the utility for that
2 person for an hour?

3 A. Well, back when we did it -- I mean, this
4 was several years ago when that number --
5 it's not a real number today. It's more in
6 the \$25-an-hour range, what a person cost us
7 today.

8 Q. My concern is the optics of this look
9 like -- and I heard you say you don't do
10 this often. But when you do utilize the
11 utility employee, it looks like the utility
12 effectively is getting shorted to the point
13 where the utility looks like it's
14 subsidizing the service company.

15 A. Right, right. No. It should be -- you
16 know, the way I thought it was supposed to
17 be, and from my reading of it, was that you
18 have to make your company whole. You know,
19 whatever the company cost -- whatever this
20 person costs with all the benefits and
21 whatever, that that's the number that you
22 should carry in there per hour for them.
23 That's what I thought.

24 Q. But if I understood what you just said

1 earlier, so the current affiliate agreement
2 really isn't equitable at the moment.

3 A. No, no. It needs to be updated. That was
4 something we talked about quite a bit during
5 conferences this summer. We talked about
6 those numbers.

7 Q. So we should not approve the affiliate
8 agreement or...

9 A. I don't know what to say there.

10 MR. RICHARDSON: I'm really
11 desperate at this point to ask a redirect on
12 the affiliate agreement, because I think there
13 are some things that are not being covered
14 even by the Commissioners' questions.

15 CHAIRMAN IGNATIUS: Well, you'll
16 have your opportunity.

17 CMSR. SCOTT: And I'll drop the
18 affiliate agreement. I have two more
19 questions -- and thank you for that.

20 Q. (By Cmsr. Scott) So, earlier this morning, I
21 believe you were questioned on accounts
22 receivable --

23 A. Payable?

24 Q. Excuse me. Payable. Thank you. Same

1 mistake I think you made --

2 A. We all do it.

3 Q. So if I understood you right, and maybe you
4 can confirm, so you were alluding to, I
5 think Commissioner Ignatius, that the
6 vendors, basically you've paid them
7 sooner --

8 A. Right.

9 Q. -- which that would indicate to me that if
10 you need a part tomorrow, you should be able
11 to get that; is that right?

12 A. Oh, yeah. No problem.

13 Q. So you're not shut off or on a cash-only
14 basis for vendors.

15 On a similar vein, I just want to
16 explore with you -- obviously, if you need
17 professional services, that's been more of
18 an issue. Are you in a shut-off,
19 effectively, or cash-only basis --

20 A. No.

21 Q. -- for professional services?

22 A. No. No. Everybody kind of understands
23 where we stand, that we're working. I mean,
24 the biggest ones, obviously, are the lawyers

1 that we need here, Mr. Crandlemire and
2 Justin. And then people like Steve St. Cyr
3 and Normand, those are probably our biggest
4 ones, actually.

5 Q. And so I'll put it more to the point -- and
6 this is hypothetical, so I hope this
7 wouldn't happen.

8 If you were to have some major failure,
9 where you needed engineering services, or a
10 lawsuit came up and you needed professional
11 legal services, you feel you could --

12 A. Oh, definitely.

13 Q. -- retain somebody?

14 A. Oh, yeah. No, we still use engineers. Even
15 the engineer that we owe some money to, I
16 think about 30 grand, we still use him.
17 He's fine with it. He understands that it's
18 going to take a while to get straightened
19 out and get paid. There's no one -- we're
20 not getting threatened by anybody. There's
21 no one out there saying, Oh, you got to pay
22 us tomorrow.

23 Q. Okay.

24 A. Everybody's pretty good.

1 Q. Thank you.

2 And lastly, hopefully, is back to your
3 five-year capital improvement plan on your
4 LRW 6. You have a lot of areas here where
5 you talk about repair and replacement. Is
6 that -- I don't want to characterize it for
7 you. But is that like preventative
8 maintenance plans and just normal attrition
9 of equipment? Can you help me with that?

10 A. Yeah. I mean, as far as repair and replace
11 pumps, I don't know that it should have said
12 "repair." I think that was probably more of
13 a typo than anything else. There's pumps
14 that need replacing. There's meters that
15 need -- you know, a certain amount we have
16 to do every once in a while to upgrade. And
17 those are new meters. Transportation
18 equipment, same thing. You know, that's a
19 new pickup. Shop equipment, computer
20 equipment. I think it was just a fairly
21 poor choice of "repair" as a word.

22 Q. So, on a similar vein, do you -- it looks
23 like you do here. Do you project a certain
24 amount of money each year for things that

1 happen to the infrastructure? Is that --

2 A. Oh, we try. It's a moving target. That's
3 the problem. When you have 17 water systems
4 that are all generally the same age and
5 generally constructed the same way, there
6 are amazing issues that come up that are --
7 that one day aren't even a thought in your
8 mind, and then two days later they're a
9 major priority. It's pretty common with
10 these systems.

11 Q. So how do you budget or plan for those?

12 A. How do we budget or plan for them? Most of
13 the time we just react to them because
14 they're -- I don't know how you budget them.
15 As long as I've been here, it's just been
16 react to what happens because you don't -- I
17 don't know if you can predict that the water
18 main in the middle of, you know, Route 28's
19 going to break and that you're going to have
20 to do a \$10,000 job to fix it to replace it.

21 Q. Don't you have a certain amount of
22 historical data, so that some of the more
23 common things --

24 A. Oh, sure. Yeah. Yeah. But still it's

1 variable. Every year it's something
2 different. I'm sure there is -- well, we
3 track most everything, so I'm sure we have
4 that data available.

5 Q. Thank you.

6 CHAIRMAN IGNATIUS: All right.
7 Mr. Richardson, redirect.

8 MR. RICHARDSON: Thank you.

9 REDIRECT EXAMINATION BY MR. RICHARDSON

10 Q. Tom, I'm going to turn your attention to LWR
11 [sic] Exhibit 12, Page 6 of 9. And I just
12 want to start off with this before we get
13 into the affiliate agreement issues.

14 I have highlighted a paragraph for you
15 at the bottom of Page 6. Could you just
16 read the circled paragraph there?

17 A. Sure. "In addition, Lakes Region agrees to
18 seek funds through the SRF program
19 administered by the DES to access
20 low-interest financing. To that end, Lakes
21 Region has begun the process of completing a
22 pre-application to be submitted on May 9,
23 2008. Lakes Region will keep parties and
24 Staff apprised of the application process."

1 Q. Okay. Thank you. So is it fair to say,
2 then, that one of the reasons that you
3 sought SRF funding is because there was a
4 settlement agreement approved by the
5 Commission that required you to do that?

6 A. Correct.

7 Q. And that was in 2008.

8 A. Yes.

9 Q. Okay. Now, just to hit the numbers at a
10 very high level, I want to show you LWR
11 Exhibit 7, which is Bob Montville's
12 testimony. I expect you don't have it in
13 front of you.

14 A. I do not.

15 Q. I'll give you my copy here.

16 The page I want to ask you to look at
17 is going to be Page 15. And do you see
18 where Mr. Montville has calculated the
19 company's rate of return on an annual basis?

20 A. Yes.

21 Q. At the bottom of Page 15.

22 A. I do.

23 Q. So where did the decision to decline the
24 ARRA or SRF money fall on that time line?

1 A. I believe it was in 2008.

2 Q. 2008. Now, what was the time in your
3 testimony of the letter from the Business
4 and Finance Authority? Let me pull that
5 out. I just want to compare them. And I'm
6 trying to figure this out at the same time
7 you are. That was August 2009 -- or
8 September 24th, 2009. I'm looking at LWR
9 Exhibit 6, Mason Exhibit D. And that's on
10 Page 28. And I'll represent to you that the
11 BFA decision was September 24, 2009.

12 A. Okay.

13 Q. Is that -- does that sound right?

14 A. Yes.

15 Q. Okay. And so the decision to turn down the
16 ARRA money, I presume, would have come after
17 that; isn't that right?

18 A. Oh, yeah, definitely.

19 Q. So what was the rate of return that the
20 Company was earning, according to Mr.
21 Montville, in 2008 and 2009?

22 A. In 2008 it was a negative 3.41, and in 2009
23 it was 2.23.

24 Q. So would it be fair to say that, based on

1 that, that the Company's financial situation
2 really was in a tough spot at the time you
3 had to make that decision?

4 A. Oh, definitely.

5 Q. Okay. Thank you.

6 Now, if finances turn around following
7 this rate case, and your rate of return were
8 closer to your -- well, let me ask you it
9 this way: If the Company was earning its
10 allowed rate of return, do you think you
11 would have made the same decision?

12 A. No.

13 Q. And why is that?

14 A. Because I would have had the money to pay
15 the note.

16 Q. Okay. Let's look, then, at -- silly me. I
17 just closed the other page I had in front of
18 me.

19 Okay. The affiliate agreement. I want
20 you to look at testimony from a witness we
21 haven't heard yet, Steven Eckberg. I don't
22 know the exhibit designation. But I'm
23 looking at his testimony. And I want to
24 show you -- it's SRE Attachment 2, and it's

1 Page 2, Paragraph 4 of that document. And I
2 just want you to see where he discusses the
3 affiliate agreement, and that an employee in
4 the 2009 test year was -- apparently there
5 was 983 hours that the water service
6 company, LWR, used utility employees. Does
7 that sound correct to you?

8 A. I believe it does.

9 Q. Okay.

10 CHAIRMAN IGNATIUS: Mr.
11 Richardson, before you go on, tell me why you
12 couldn't have raised all of this on direct.
13 There's no surprise. We had Mr. Eckberg's
14 prefiled testimony.

15 MR. RICHARDSON: I'm trying to
16 get to an issue that underlines the
17 Commission's questions about the fairness of
18 the \$19 per hour charge.

19 CHAIRMAN IGNATIUS: Go ahead.

20 MS. HOLLENBERG: Actually, if I
21 could just make one comment, which is I don't
22 believe there was any prefiled testimony on
23 the affiliate agreement issue in any of the
24 dockets.

1 MR. RICHARDSON: I'm not asking
2 him -- I just want the number that Mr. Eckberg
3 is using so that we know there's a fixed
4 point.

5 Q. (By Mr. Richardson) So would it be
6 correct -- I'll represent to you that \$19 an
7 hour for 983 hours, that's -- I'm going to
8 guess that's about \$18,000 a year. Might be
9 \$18,600, if I remember correctly.

10 A. That seems right.

11 Q. Okay. So that would be about what, under
12 the affiliate agreement, Lakes Region Water
13 received in the test year.

14 (Witness reviews document.)

15 A. Yes.

16 Q. Okay. Subject to check.

17 Now, at the time of the settlement
18 agreement -- in fact, let's turn the clock
19 back to 2007. How many certified operators
20 did the company have?

21 A. In 2007? Probably one or two.

22 Q. Okay. And how many does it have today?

23 A. I believe it has five.

24 Q. Five. So is it fair to say that the Company

1 needs to have people like Jake available
2 during normal business hours? I mean, you
3 have to provide service; right?

4 A. Oh, definitely.

5 Q. Okay. And you also need to have people
6 available to respond to emergencies; is that
7 right?

8 A. Yes.

9 Q. Okay. So would you agree with me if I said
10 that the Company -- or what is your view in
11 terms of whether or not the Company has to
12 have more employee capacity than it actually
13 needs at any given moment? Do you have to
14 have excess, or can you just get by with a
15 bare minimum?

16 A. Oh, you definitely to be need well staffed
17 because of issues that come up that are
18 important.

19 Q. So if -- what would happen if the Company,
20 the water service company, were required to
21 pay \$50 an hour to borrow an employee for
22 that 983 hours a year?

23 A. I couldn't afford to do that with the
24 utility -- with the service company. So I

1 would have ended up hiring somebody for the
2 service company full time to do it.

3 Q. What would you pay them?

4 A. Probably \$14, \$15 an hour.

5 Q. And so the utility would lose, at least
6 based on the test year data, about \$18,000
7 in revenue that it currently receives for
8 essentially excess capacity?

9 A. I would say so, yes.

10 Q. Okay. And I believe you've indicated for
11 the Commission's benefit that you would be
12 willing to pay the actual cost rather than
13 the \$19 an hour.

14 A. Right. Definitely.

15 Q. Okay. What would the impact be on the
16 Company if you weren't able to use the
17 utility -- what would the impact be on the
18 utility company if you weren't able to use
19 their employees?

20 A. It would decrease the amount of that \$18,000
21 to their revenue.

22 Q. And where would that money have to then come
23 to pay the company's existing employees?

24 A. It would have to come from the customers.

1 Q. Okay. And what would the impact be on the
2 service company? What would --

3 A. As far as?

4 Q. Well, if you had to go out and hire someone
5 separately to replace the service that
6 you're essentially borrowing at \$19 an hour.

7 A. I would have to hire somebody and probably
8 be... it would definitely be less than the
9 \$50 an hour figure.

10 Q. Would you hire a part-time or full-time?
11 What would you do?

12 A. I'd probably hire -- be able to hire a
13 part-time to do that.

14 Q. Okay. But you then have to incur -- well,
15 would you incur any costs associated with
16 that? I mean, is there a benefit to being
17 able to use the company employees is my
18 question?

19 A. Well, it's a simpler idea. It just makes
20 sense to me than sharing.

21 Q. Okay. Let me take my... I want to go back
22 to the settlement agreement and ask you some
23 questions about it.

24 You were asked a lot about whether

1 things were done that were required by the
2 settlement agreement, and I want you and I
3 to just go through the agreement together.
4 Well, do you have a copy in front of you?

5 A. Yes, I'm sure I do.

6 Q. This is LWR Exhibit 12.

7 A. I got it. Settlement?

8 Q. Yeah. Now, let's look at Page 2 of 9 of
9 Exhibit 12. And I believe it was indicated
10 that under Paragraph A there was a financing
11 and step adjustment filing that was done.

12 A. Yes.

13 Q. Is that right?

14 A. Yes.

15 Q. Paragraph B on the same page, Tamworth well
16 issue, has that been addressed?

17 A. Yes, it has.

18 Q. And I just asked you about this. But
19 managerial capability, what are the -- have
20 you addressed that piece of it?

21 A. Oh, yeah. Definitely. We've pretty much
22 changed everything. We've added people. I
23 took over control of the company. Tried to
24 deal with everything that was asked of us.

1 Q. And when you say you've added people, what
2 type of people have you added?

3 A. Oh, outside staff, you know, operators.
4 Licensed operators.

5 Q. That would be like the five certified
6 operators, for example?

7 A. Correct. Yes.

8 CHAIRMAN IGNATIUS: Mr.
9 Richardson, I'll warn you. This seems to me
10 things that you could have addressed -- in
11 fact, did address in part earlier. So make
12 sure this is really redirect. We're not going
13 to start all over again.

14 MR. RICHARDSON: Absolutely.
15 And the sole purpose for addressing this is
16 that the issue of the Company's compliance
17 with this settlement agreement was raised on
18 cross. It was not an issue in anyone's
19 testimony. I have no reason to know I would
20 have to do this, and I --

21 CHAIRMAN IGNATIUS: That's fine,
22 but keep it focused on the settlement
23 agreement and not just overall what the
24 Company's been doing.

1 Q. (By Mr. Richardson) Okay. The bi-weekly
2 meetings, you did those?

3 A. Correct. We did.

4 Q. Now, you were specifically asked about
5 whether the Company had complied with filing
6 its rate-of-return information with its
7 annual reports.

8 A. Yes.

9 Q. And at the bottom of Page 3 of 9 of
10 Exhibit 12 it references the quarterly
11 meetings that would occur with Staff. Did
12 you -- did those in fact take place?

13 A. Definitely.

14 Q. Okay. Did you discuss the Company's
15 earnings and financial status during those
16 meetings?

17 A. I believe we discussed everything. Those
18 were pretty lengthy meetings that involved,
19 you know, Staff, ourselves, DES.

20 Q. But specifically the Company's earnings and
21 financial status, was that a topic of
22 discussion --

23 A. Yes.

24 Q. -- and when it would file its next rate

1 case?

2 A. Yes.

3 Q. And at any time during those quarterly
4 meetings with Staff, were you ever alerted
5 to the fact that you hadn't filed the actual
6 calculation of your earnings with the annual
7 report?

8 A. No.

9 Q. Let's look at -- there's a list of items
10 beginning on Page 4, under D, Technical
11 Capabilities. And could you scan that list
12 and tell me what the status of those
13 projects is.

14 A. Sure. Deer Run is complete. Echo Lake
15 Woods is complete. Woodland Grove is
16 complete. Ossipee Lake Village is complete.
17 Brake Hill and Gunstock Glen's complete.
18 Wentworth Cove is all set. Pendleton Cove's
19 all set. Paradise Shores is all set. West
20 Point is all set. Far Echo's all set.
21 Indian Mound, all set. Deer Cove's all set.
22 Tamworth is all set. 175 Estates is all
23 set. White Mountain Gateway is. Hidden
24 Valley was complete at that point, both

1 upper and lower. And we were in compliance
2 with the DES.

3 Q. How do you contrast where the Company was at
4 in 2007 when you -- or 2008 when you entered
5 into this settlement agreement to where it
6 is now?

7 A. Oh, we've come a long ways. We've really
8 stepped up our game, our people, the whole
9 way we act. You know, we deal with the
10 public, our one-call system. We really
11 stepped up big time.

12 Q. As we've heard a lot about things that
13 haven't been done, I'm just -- what can we
14 say about -- or what can you say about the
15 Company to give an example of maybe how it's
16 changed?

17 CHAIRMAN IGNATIUS: Mr.
18 Richardson, that's an example of what has
19 nothing to do with compliance.

20 MR. RICHARDSON: Okay. I
21 apologize. I'm trying to...

22 Q. (By Mr. Richardson) Let me go through my
23 list of other questions that you were asked.
24 You were asked about credit cards by

1 Attorney Thunberg. Do you recall that?

2 A. Yes, I do.

3 Q. Could you explain what the Company's policy
4 or practice is with respect to the credit
5 cards that it uses?

6 A. Yes. The only credit card that we use is
7 one for, you know, Internet things, if we
8 have to order something over the Internet.
9 We have one old credit card that we're
10 paying off, and basically everything else is
11 paid off on a monthly basis.

12 Q. And what about -- you mentioned gas. Is
13 that one of the payables? Are you paying
14 interest on gas?

15 A. No.

16 Q. Okay. All right. So what is... you stated
17 that the \$50 an hour that you bill the
18 Company for LWR services for projects that
19 the service company works on for the utility
20 company, that you were, I believe, giving
21 them a break? What would you expect the
22 market rate to be if you were to charge what
23 your competitors charge for that type of
24 project?

1 A. Oh, I think we're a little cheaper than
2 everybody, even with our regular pricing,
3 you know, the people that we bid against.
4 So, obviously we're quite a bit less when we
5 give a break to the water company.

6 Q. But what do you think the market rate for
7 the services is that LWR provides using that
8 company employee? I'm sorry. Let me back
9 up.

10 The rate's \$50 under the service
11 agreement. What would a -- the LWR charges
12 for use of an LWR employee to the utility
13 company. What would a competitor bill the
14 utility company for the same service?

15 A. Probably \$75 to \$80.

16 MS. HOLLENBERG: Objection. I
17 guess I'm just wondering what the basis that
18 he has. He testified earlier that there
19 aren't any competitors, that the only reason
20 the water utility doesn't bid out for these
21 services is that there's no one else that has
22 specialized equipment and personnel and can
23 provide it. So I guess I wonder what the
24 basis is for this.

1 CHAIRMAN IGNATIUS: I think, in
2 addition, Mr. Richardson, the witness already
3 said that he thought the going rate was \$65
4 and he was cutting a break for \$50. So I
5 don't know where we're going with --

6 MR. RICHARDSON: All right. I
7 wasn't sure that I heard him say that before,
8 so that was the reason for asking the
9 question. If that's clear, I'll move on.

10 Q. (By Mr. Richardson) You were asked about a
11 permit to operate fees and I believe shown
12 an exhibit by Staff that showed a \$300 fee
13 that was associated with a letter of
14 violation. Do you recall that?

15 A. Yes, I do.

16 Q. What is the fee in the -- if it's paid on
17 time?

18 A. It's \$300 whether it's on time or not.

19 Q. So what impact did the fact that it was late
20 have on the expenses for your services that
21 the customers paid?

22 A. Nothing.

23 Q. Okay. And what is the status of those fees
24 today?

1 A. Oh, they were paid right after that letter
2 came out.

3 Q. Okay. And you're still current?

4 A. Oh, definitely.

5 Q. What is -- I mean, we've seen, you know,
6 questions about how the Company's dealing
7 with its priorities on its capital
8 improvement plans. What is -- is the
9 primary factor -- or what is the primary
10 factor that is holding the Company back on
11 executing those projects?

12 A. It's basically the availability of the money
13 to pay for the projects.

14 Q. Well, the inference that I took to be
15 suggested was that a lack of planning was
16 contributing. Would you agree that the
17 Company's planning has harmed the customer
18 or prevented it from doing projects?

19 A. I couldn't hear you. I'm sorry.

20 Q. What role do you feel, you know, a lack or a
21 failure of the Company to do capital
22 planning properly has played relative to the
23 lack of funds factor?

24 A. I think we've always had a plan. You know,

1 we've worked on plans. But the problem is
2 the way we fund them is hard to get lined
3 up.

4 Q. I'm just asking you to quantify what effect
5 any lack of planning has had on the
6 Company's customers and the Company's
7 ability to execute projects.

8 A. Oh, I don't believe it has.

9 Q. You were asked about Mount Roberts, and
10 specifically the role about Suissevale. And
11 I believe you indicated that there was a lot
12 of uncertainty associated with whether or
13 not Suissevale was going to be part of the
14 system.

15 A. Yes.

16 Q. Okay. Has -- what has DES told you about
17 the impact of Suissevale and whether or not
18 the Company should proceed with the Mount
19 Roberts projects?

20 A. Steve Roy, who is -- represents the DES, had
21 stated to us that he wanted us to definitely
22 keep on working on Mount Roberts, because
23 ultimately he would rather see the well
24 field that we have existing for Balmoral

1 replaced by the one that is across the
2 street from the Mount Roberts project.

3 Q. Is there a difference in the type of permit
4 that you would receive based on whether or
5 not Suissevale is part of the system?

6 A. Yes. There is a small well withdrawal
7 permit, which is 40 gallons a minute or
8 less, and one that's above that, which is a
9 large well withdrawal permit, which is 41
10 and above. They definitely are a different
11 animal.

12 Q. And so I take it, then, that if Suissevale
13 decides to remain as part of Lakes Region,
14 you'd seek the larger, and if Suissevale
15 doesn't, you would stay with the small
16 production well permit; is that right?

17 A. Yes.

18 Q. Okay. And what's the difference in cost?

19 A. The small well withdrawal permit is -- I
20 don't know what the end cost will be, but
21 it's probably less than a tenth of what the
22 big one is.

23 Q. And you were asked about the original cost
24 by Attorney Patch when he was

1 cross-examining you. And I believe he
2 was -- may have been using the \$1.5 million
3 figure --

4 A. Yes.

5 Q. -- that was originally submitted as part of
6 this rate case?

7 A. Yes.

8 Q. And was that for a large production well or
9 a small production well?

10 A. That was a large.

11 Q. Okay. You were asked about management time
12 when -- under the affiliate agreement --
13 when you, on behalf of the service company,
14 are doing a work project for the utility.
15 So I guess my question to you is: What type
16 of work are you typically doing when in that
17 situation?

18 A. It could be anything. I mean, I could be
19 there supervising or I could be in the hole
20 with the shovel. It really depends what's
21 needed.

22 Q. And what has been your practice in terms of
23 billing the company, the utility company,
24 for that time?

1 A. It's part of my salary.

2 Q. So do I understand that you're not billing
3 the utility company --

4 A. Correct.

5 Q. -- for those projects?

6 A. Correct.

7 Q. You were asked by Attorney Thunberg about an
8 accounting entry that was in the Staff's
9 audits. Do you remember that?

10 A. Yes, I do.

11 Q. And because that was last week, could you
12 just remind us what that was?

13 A. Originally when the Audit Staff came up,
14 they thought there was a missing deposit
15 for, I think it was \$400. It was a series
16 of checks. And once we checked, what it
17 ended up being was that the deposit was
18 made, and then for some reason the bank had
19 taken some of the checks out that they, for
20 some reason, didn't want to clear that
21 night, and they only cleared part of them.
22 The next day they put the rest of them in
23 and cleared them. So there was just an
24 error there, that there was no money

1 missing; it was just the way the bank had
2 done it.

3 Q. And did you discuss this with the Audit
4 Staff?

5 A. Yes. Audit Staff agreed with us and said
6 that that seemed to be what happened.

7 Q. And was that in their report, or was this in
8 some other document?

9 A. I don't think it was in the report. It was
10 in an e-mail afterwards. And basically --
11 you know, I can't remember how long after
12 the audit, but several weeks.

13 Q. And just to keep the record clear, the Audit
14 Staff accepted the explanation and found
15 there was no further problem?

16 A. Correct.

17 Q. There were -- I'm going to have to confess
18 that I -- please tell me if you've already
19 answered this, because I had this written
20 for redirect and I can't recall if you
21 answered it in response to the
22 Commissioners' questions. I want to look at
23 LRW Exhibit 6 and the BFA letter and the
24 projects that were listed.

1 Did you explain to the Commission --
2 I'm looking at Page 28, LWR Exhibit 6.

3 A. Yeah.

4 Q. What's the status of Woodland Grove?

5 A. Woodland Grove is a new pump station.
6 Actually, it wasn't a complete replacement
7 of the pump station but an upgrade that
8 we're doing right now.

9 Q. And then the Brake Hill, Gunstock Glen, what
10 is the status of that?

11 A. Brake Hill and Gunstock Glen... nothing.
12 That was some water main replacement, I
13 believe, and that has not happened.

14 Q. But can you explain to me what -- I
15 understood --

16 A. Yeah, I can.

17 Q. -- there was a variable frequency drive or
18 something?

19 A. Yeah. What we did is we went with kind of a
20 different idea. This water main that's
21 particularly in Brake Hill is fairly old.
22 And what we've been doing in testing lately
23 is putting in a variable frequency drive
24 system which keeps a constant pressure.

1 Instead of the pressure going up and down
2 like it normally does in a pressure system
3 from, say 50 pounds to 70, they now offer
4 like a computer-controlled pump that if you
5 set it at 70, it stays right at 70. So it
6 takes away the flex of the pipe going in and
7 out all the time. And what we've come to
8 find out is that we have a lot less leaks.

9 CHAIRMAN IGNATIUS: Mr.
10 Richardson, what's the relevance of this to
11 redirect?

12 MR. RICHARDSON: There were a
13 lot of questions, I thought, raised about
14 whether the failure to obtain the ARRA funds
15 in order to complete these projects would have
16 impaired the Company's service. And so what I
17 wanted to get on the record was how the
18 Company has addressed some of these projects.

19 CHAIRMAN IGNATIUS: And that
20 wasn't an issue that you could glean from the
21 prefiled testimony? I mean, we're not going
22 to begin this again. We're not going to go
23 through every bit of evidence a second time.

24 MS. THUNBERG: Chairman

1 Ignatius, if I could add? When I was in
2 cross, I had walked Mr. Mason through each of
3 these projects and asked whether they were
4 completed or not. I don't know if that
5 testimony --

6 MR. RICHARDSON: Right.

7 MS. THUNBERG: -- helps
8 Mr. Richardson in focusing what else you need
9 to clarify, but...

10 MR. RICHARDSON: And obviously,
11 Mr. Mason had to answer the questions asked.
12 And I'm just trying to illustrate that other
13 things have been done as part of these, so
14 that while these projects may have not been
15 done, it's not that there was a critical loss
16 of service. But honestly, I'm not -- I'm just
17 trying to make sure that the picture is
18 complete. I'm not trying to bring in anything
19 new. I mean --

20 CHAIRMAN IGNATIUS: All right.
21 How much more do you have? We have another
22 matter we're supposed to be taking up this
23 afternoon, so...

24 MR. RICHARDSON: I am very

1 close.

2 CHAIRMAN IGNATIUS: Be nice to
3 finish this witness certainly by 4:00. We've
4 got to take a break to deal with something
5 else. My hope is to continue until 5:00
6 today. We've got to make more progress.

7 MR. RICHARDSON: I'm hoping to
8 get through --

9 CHAIRMAN IGNATIUS: Thank you.

10 MR. RICHARDSON: -- with this
11 witness in maybe four minutes, at the most.

12 CHAIRMAN IGNATIUS: Okay.

13 Q. (By Mr. Richardson) Let me ask you, rather
14 than going through these on a
15 system-by-system basis, are there major
16 critical needs that aren't addressed from
17 this list of projects right now?

18 A. No.

19 Q. Oh, this is a big one. I'm sorry. You were
20 asked about an administrative order by
21 Attorney Thunberg. And I want you to turn
22 to LWR Exhibit 6, which I believe you have
23 in front of you. The reference in your
24 testimony was to Page 5, but I'd like you to

1 turn to Page 21 of Exhibit 6, please.

2 A. I got it.

3 Q. You were ahead of me. What is this
4 document?

5 A. This is a June 1, 2009 notice of closure on
6 a AO for Hidden Valley.

7 Q. And is this -- this is, then, the
8 administrative order that's being released
9 on that date?

10 A. Yes.

11 Q. And that was the Hidden Valley system in
12 Tuftonboro?

13 A. Correct.

14 Q. So that issue has been taken care of?

15 A. Definitely.

16 Q. In your dealings with DES, I believe you
17 indicated you had meetings with Sarah
18 Pillsbury. And who is she?

19 A. She is the head of the Water Supply Division
20 of DES.

21 Q. You've discussed the Company's compliance
22 status, I assume?

23 A. Yes.

24 Q. Has she given you any reason to believe that

1 the state Department of Environmental
2 Services would want to bring further
3 enforcement against you at this time?

4 A. No. As a matter of fact, I think she came
5 to kind of support us the other day.

6 Q. What are -- you have an e-mail in your
7 testimony that says that all of the LODs
8 have been resolved except for Mount Roberts.

9 A. Yes.

10 Q. Your discussions with all DES employees are
11 consistent with that status?

12 A. Yes.

13 MR. RICHARDSON: I believe that
14 wraps up my questions. If you'd just give me
15 one second to review my notes...

16 CHAIRMAN IGNATIUS: That's fine.

17 MR. RICHARDSON: That's all.

18 Thank you.

19 CHAIRMAN IGNATIUS: All right.

20 Thank you. We'll take a break until 4:15
21 because there's something else we've got to
22 meet on.

23 Mr. Skelton, I think, you would
24 be the next witness; is that correct?

1 MR. SKELTON: Yes.

2 CHAIRMAN IGNATIUS: And we'll
3 run until 5:00 today. I'm afraid it's
4 unlikely we'll complete everything by 5:00.
5 So you should be looking at calendars, and we
6 will as well. If there's any possible way
7 that by staying until 5:30 we thought we could
8 get there, I'm game. I don't know what
9 everyone's schedules are and if the court
10 reporter can stay. But maybe think about how
11 much time you think further witnesses are
12 going to take and how realistic it is that we
13 might possibly complete today.

14 MR. RICHARDSON: I'll say, if
15 it's any benefit, I don't have -- my strategy
16 for cross-examination of OCA and Staff
17 Advocate and Staff witnesses is much more
18 limited. I'm hoping that if we are required
19 to go to another day, then we could get it
20 done in half a day, if that's any help at all.
21 I'll do everything in my power to make sure we
22 get it done quickly.

23 CHAIRMAN IGNATIUS: Thank you.
24 I don't know if anyone else has any thoughts.

1 If not, we can think about that over the
2 break, and we'll resume at 4:15.

3 Thank you, and you're excused.
4 Thank you, Mr. Mason.

5 We'll take a brief recess.

6 (Whereupon a brief recess was taken at
7 3:53 p.m. and resumed at 4:21 p.m.)

8 CHAIRMAN IGNATIUS: We're back
9 on the record. We're going to be running
10 until 5:00 today. If we're not able to
11 finish, then we will resume on Wednesday,
12 March 21st, at 10:00. And with that, I
13 think -- are we ready for the next witness,
14 Mr. Skelton?

15 MR. SKELTON: I'm here.

16 (WHEREUPON, JOHN R. SKELTON was duly
17 sworn and cautioned by the Court
18 Reporter.)

19 JOHN R. SKELTON, SWORN

20 DIRECT EXAMINATION BY MR. PATCH

21 Q. Please state your name.

22 A. John R. Skelton, S-K-E-L-T-O-N.

23 Q. And what is your occupation?

24 A. I am a partner with the law firm of Bingham

1 McCutchen. I am resident in their Boston
2 office.

3 Q. And what's your association with Suissevale?

4 A. I currently serve as the president of the
5 Homeowners Association Board of Directors.

6 Q. And how long have you been on the board?

7 A. I've been on the board since 2003, and I
8 believe I've been president since 2008.

9 Q. And you prefiled testimony in this docket;
10 is that correct?

11 A. Correct.

12 Q. And that's dated October 14th, 2011? You've
13 got a copy there?

14 A. I do.

15 MR. PATCH: Commissioners need a
16 copy? I have extra copies.

17 CHAIRMAN IGNATIUS: I think
18 we're good. Thank you.

19 CMSR. HARRINGTON: I'll just
20 take one.

21 MR. PATCH: I think everybody
22 else has one.

23 Q. (By Mr. Patch) And Mr. Skelton, if you were
24 asked the same questions today that you were

1 asked in that prefiled testimony, would your
2 answers be the same?

3 A. Except for one correction and one, I guess,
4 update.

5 Q. Okay. Could you just briefly cover that for
6 the Commission.

7 A. The correction would be I reference in my
8 prefiled testimony that the storage tank was
9 375,000 gallons. I'm not really sure how I
10 got that. It's 325,000 gallons. But you
11 see that throughout my prefiled testimony
12 when I refer to "storage tank." So that
13 would need to be corrected.

14 And the other update was that, as of
15 the date of filing of my prefiled testimony
16 in October, on Page 8 I provide an update on
17 Suissevale's efforts or ongoing efforts to
18 explore alternative or supplemental sources
19 of water. And I make reference as to that
20 being an "ongoing process." And since
21 filing my prefiled testimony on behalf of
22 Suissevale, I have sent letters to Lakes
23 Region, one at the end of January and one at
24 the beginning of March, giving an update on

1 the fact that we are going forward. We have
2 drilled a couple of test wells. And I've
3 provided information to Lakes Region about
4 the status of that.

5 MR. PATCH: Chairman Ignatius,
6 I'm going to ask for leave to ask a few more
7 questions on direct since Mr. Skelton prefiled
8 his testimony in October and the reply
9 testimony was filed in December. He has about
10 three issues he'd like to cover. I think it
11 will only take about five minutes, you know,
12 but it relates to the reply testimony and to
13 what has been testified to on the stand by the
14 Lakes Region witnesses.

15 CHAIRMAN IGNATIUS: I assume
16 there's no objection to that by anyone?

17 MR. RICHARDSON: No.

18 CHAIRMAN IGNATIUS: Good. Let's
19 first, before you get to that, premark Mr.
20 Skelton's testimony as Swissvale 1?

21 MR. PATCH: Maybe POASI,
22 P-O-A-S-I, or Swissvale 1. Either one.

23 CHAIRMAN IGNATIUS: If you
24 prefer. That's POASI 1. Thank you.

1 (POASI Exhibit 1 marked for
2 identification.)

3 Q. (By Mr. Patch) And so, Mr. Skelton, you read
4 the reply testimony that Lakes Region filed
5 in this docket after your prefiled
6 testimony; is that correct?

7 A. Correct.

8 Q. And you have attended the hearings since
9 they began last week; correct?

10 A. Correct.

11 Q. And is there anything that you would like to
12 address given that reply testimony and the
13 testimony that's been provided in this
14 hearing?

15 A. There are three things that I would address.

16 No. 1 would be the circumstances
17 surrounding Suissevale's payment of the
18 \$300,000 construction contribution in aid of
19 construction and the purpose of the water
20 storage tank; No. 2, Mr. Mason's
21 characterization of the POASI system on Page
22 11 in his testimony; and No. 3, the
23 characterization today by Mr. Mason relating
24 to Mount Roberts and whether or not, quote,

1 unquote, Suissevale is in or out. And I
2 would want to address those three things.

3 Q. And so on the first of those issues, you --
4 I think you've already testified that you
5 were a member of the board of Suissevale at
6 around the time this storage tank project
7 was being discussed; is that correct?

8 A. I was actually a vice-president at that
9 time, and I was also a member -- as
10 vice-president, a member of the executive
11 committee and also the water committee. And
12 so, yes, I was involved. And I was one of
13 the persons on behalf of the executive
14 committee that made -- had to make
15 recommendations to the full board about that
16 water storage tank and the contribution and
17 the aid in construction.

18 Q. So could you explain maybe the circumstances
19 surrounding that?

20 A. I want to just make sure it's clear that in
21 the 2004 and 2005 time frame, Lakes Region
22 came to Suissevale and asked us if we would
23 contribute to the water storage tank
24 project, and specifically said to us at the

1 time that they needed our financial help to
2 put that project together. So we were, in
3 effect, financing a portion of that project.

4 The other very important thing from
5 Suissevale's perspective was that at the
6 time -- again, in this 2004 and 2005 time
7 frame -- we were willing to make that
8 \$300,000 contribution, which at the time, on
9 a per connection basis within Suissevale,
10 represented about \$800 per connection. So
11 it was a sizeable out-of-pocket contribution
12 we were making. We would not have made that
13 contribution if it was only the first step
14 and that there would be down the road a
15 \$1.5 million well source project, or that we
16 would have to spend \$700,000 running a
17 waterline down. We always believed that it
18 was -- that it provided a long-term
19 solution.

20 MR. RICHARDSON: Ms. Chairman,
21 I'm going to have to object because this is
22 not -- he's reiterating what's already
23 contained in his testimony. And in fact, he
24 hasn't referenced anything that Mr. Mason

1 said. We're talking about decisions that were
2 made in 2003 or 2004. I have no objection to
3 what he's just said. I mean, it's simply
4 repeating what's there. But I am concerned
5 that we're going down a path that really isn't
6 in the nature of response to what Mr. Mason
7 has testified to.

8 CHAIRMAN IGNATIUS: I tend to
9 agree with you that it's so far at least been
10 a restatement of the direct examination.

11 But Mr. Patch, is there anything
12 you want to add?

13 MR. PATCH: Well, I think we can
14 move on and cover the other issues that he'd
15 like to cover. I think there was -- well,
16 anyway, I'll leave it at that.

17 Q. (By Mr. Patch) On Page 11 of the rebuttal
18 testimony of Mr. Mason -- and I think this
19 was premarked as LRW 6, he -- he, Mr. Mason,
20 sort of characterized POASI, I guess I will
21 say. And I wonder if you had anything you
22 would like to say, Mr. Skelton, in response
23 to that.

24 A. The only thing I think that I want to

1 clarify, that I don't think it's accurate to
2 compare Suissevale to any of the other
3 systems that make up Lakes Region, because
4 unlike all of those other systems, the
5 members of Suissevale have paid for all of
6 the distribution infrastructure. And so
7 Lakes Region has never paid for any -- the
8 utility has never paid to develop any of the
9 pipes, the pumps or anything like that. We
10 as an association have born all of those
11 expenses ourselves. And we, as of today,
12 carry all the risk, so that if there is a
13 pipe that breaks, in addition to what we pay
14 for our metered water, we're responsible for
15 paying for all of that. So I just don't
16 think it's fair to lump us in with everybody
17 else.

18 Q. And Mr. Skelton, the third issue you said
19 you wished to address?

20 MR. RICHARDSON: I'm sorry. I'm
21 looking at Page 11, and I don't see anything
22 that he is responding to in Mr. Mason'
23 testimony. And at this point, I'd like to
24 either object to the continuation of this line

1 of questioning or I'd like to strike portions
2 that -- I mean, the reply that just came. I
3 don't -- it's simply rehashing what's in his
4 written testimony.

5 CHAIRMAN IGNATIUS: I agree with
6 you it's a restatement of what was already
7 there. I don't think we need to strike it.
8 But Mr. Patch, is there some --

9 MR. PATCH: I'm looking at Lines
10 19 through 20. "The POASI system, like those
11 owned and operated by the Company, do not
12 provide sufficient revenues to make all of the
13 improvements that may be required by law
14 without substantial rate impacts." And so I
15 think the implication of that sentence to us
16 was that the POASI system is like the other
17 ones, and it isn't. So that's what we were
18 responding to.

19 CHAIRMAN IGNATIUS: All right.
20 What's your third issue?

21 Q. (By Mr. Patch) The third issue, Mr. Skelton,
22 I believe was the characterization that Mr.
23 Mason made about the situation that -- you
24 know, whereby Suissevale is now looking at

1 other potential sources. Did you wish to
2 address that?

3 A. It was the characterization that Suissevale
4 was "either in or out." And that's not -- I
5 don't think it's an either/or. We have a
6 long-term water supply agreement. What
7 we're looking for is a potential
8 supplemental source within the Suissevale
9 footprint, so that if Mount Roberts needs
10 to -- if Lakes Region needs to develop, and
11 under its small community water well would
12 get up to 57,000 gallons per day -- and it
13 was primarily for June and July and
14 August -- if we were able to find that kind
15 of well within our footprint and could
16 develop it so that it supplements their
17 existing sources, Mount Roberts may not be
18 necessary. And I'm not going to go into my
19 prefiled testimony. There's some -- we have
20 some significant concerns about Mount
21 Roberts. So we have not said we're going
22 necessarily off on our own. We are looking
23 for supplemental sources.

24 Q. Does that cover the issues?

1 A. Yes.

2 Q. Thank you.

3 MR. PATCH: The witness is
4 available for cross.

5 CHAIRMAN IGNATIUS: Thank you.
6 The order of cross, I think, makes sense that
7 the OCA, the Staff Advocates, the Company and
8 then the Non-Advocacy Staff. Is that fair?

9 MS. HOLLENBERG: If it
10 doesn't -- if the Commission and the Company
11 do not object, the Staff has agreed and Staff
12 Advocates have agreed to go before the OCA.

13 CHAIRMAN IGNATIUS: That's fine.
14 Ms. Thunberg.

15 CROSS-EXAMINATION BY MS. THUNBERG

16 Q. Good afternoon, Mr. Skelton.

17 A. Good afternoon.

18 Q. You may be able to answer this off the top
19 of your head without returning to Page 9.
20 But in the conclusion on Page 9, your
21 testimony touches upon managerial competence
22 and financial liability of Lakes Region
23 Water Company. Since you wrote this
24 testimony in October of 2011, has POASI's

1 position on -- the positions with respect to
2 managerial competence and financial
3 liability represented in this testimony
4 changed?

5 A. No. We still have a significant concern.

6 Q. Were you on the board of POASI when POASI
7 financed the storage tank that you just
8 mentioned?

9 A. Yes.

10 Q. And during the time of that financial
11 arrangement, did you become aware that the
12 storage tank was part of any capital
13 improvement plan of Lakes Region?

14 A. Any kind of comprehensive plan, absolutely
15 not. I mean, we were told that -- and it
16 made sense. We thought the 325,000-gallon
17 storage tank to deal with seasonal demands
18 made sense, but we were never presented with
19 any kind of other comprehensive plan
20 regarding Paradise Shores.

21 MS. THUNBERG: Staff has no
22 other questions. Thank you.

23 CHAIRMAN IGNATIUS: All right.
24 Ms. Hollenberg.

1 CROSS-EXAMINATION BY MS. HOLLENBERG

2 Q. I just want to confirm what I think I just
3 heard you testify, which is POASI's
4 investigation of alternative sources is not
5 an effort to replace the services that they
6 get from Lakes Region Water Services utility
7 or water company utility, but rather to more
8 provide for some backup and redundancy?

9 A. I wouldn't call it backup and redundancy.
10 We're very concerned about -- we are very
11 concerned, why we intervened in this
12 project, about the Mount Roberts project,
13 including the circumstances surrounding the
14 shareholders and the sale of the property.
15 And so -- and the financial impact that that
16 would have on -- a disproportionate, in our
17 view, financial impact it would have upon
18 Suissevale. So we want to see if there's
19 water sources within our footprint that we
20 could develop that would make it so that
21 Mount Roberts might not be necessary.

22 Q. I see. And when do you think you'll have a
23 sense of that?

24 A. The wells are being drilled now. One well

1 has been drilled. There was a pump test. A
2 second well was just drilled -- a second
3 test well was just drilled this week. I
4 know it's scheduled for a pump test. All of
5 that is in flux, and I would hope that
6 within the next 45, 60 days, that whatever
7 engineering tests would need to be done
8 would be done and we'd have a better sense
9 of whether or not there's, you know, viable
10 water sources there.

11 MS. HOLLENBERG: Okay. I have
12 no other questions. Thank you.

13 CHAIRMAN IGNATIUS: Thank you.
14 Mr. Richardson, any questions?

15 MR. RICHARDSON: Did we get the
16 Non-Advocate Staff already?

17 MS. THUNBERG: They're after
18 you.

19 CHAIRMAN IGNATIUS: No. As in
20 all cases, they will go last.

21 MR. RICHARDSON: Okay.

22 CROSS-EXAMINATION BY MR. RICHARDSON

23 Q. Mr. Skelton, you say in your testimony
24 that -- I'm looking at Page 4, and it

1 appears to be at about Line 122. You state
2 this was important for POASI -- is that how
3 you prefer to pronounce it, "poacey," or is
4 it "posey"?

5 A. I always refer it to as "posey" but...

6 Q. All right. But that's what --

7 MR. PATCH: That's counsel's
8 problem.

9 Q. (By Mr. Richardson) Well, my client says
10 "posey," and I want to make sure that -- and
11 your counsel says "poacey." So I want to
12 make sure I wasn't -- I didn't say it wrong.

13 CHAIRMAN IGNATIUS: Is it just
14 too hopeful to say, "Let's call the whole
15 thing off"? I guess we're stuck with it now.
16 [Laughter]

17 Q. (By Mr. Richardson) All right. You say
18 because in 2006 there were already over 300
19 houses within Suissevale -- and I take it
20 that was a number you'd agree with, over
21 300?

22 A. So, which line?

23 Q. One twenty-two to 123 on Page 4 of 10.

24 A. Yeah. Actually, there was a little bit more

1 than that. So as of 2006, I think that
2 there was close to 350 -- or at the end of
3 2006 there was probably close to 350.

4 Q. Three hundred and fifty. Now, you may have
5 heard Mr. Mason today say that between 2000
6 and 2011, about a hundred buildings were
7 constructed at Suissevale. Do you recall
8 that?

9 A. I do.

10 Q. Does that number sound about right?

11 A. I assume so. I actually think there's
12 actually more than -- there were more
13 connections to the Suissevale water system
14 from '99 through 2010 or 2011. I think
15 there was probably about 119 or so
16 connections, most of which were from '99
17 through 2005.

18 Q. Now, the planning for the water storage
19 tank, one of the earliest commission orders
20 I found was a reference in 2003 that Lakes
21 Region Water was in discussions with POASI
22 at that time about financing. Is that about
23 the window that you recall where those
24 discussions began?

1 A. I became involved a little bit later. I
2 went on the board in 2003.

3 Q. Okay.

4 A. So it was -- there was some preliminary
5 discussions about a storage tank. I think
6 that the -- my recollection is the questions
7 about a contribution in aid of construction
8 came up a little bit later.

9 Q. Okay. Well, let me just show you -- I won't
10 ask that this be admitted as an exhibit. So
11 this is -- I'm just going to show you Lakes
12 Region Water Company -- and it's order
13 No. 24254. It's dated December 19th, 2003.
14 And if you could turn to Page 3 of that
15 document.

16 MS. HOLLENBERG: Do you have a
17 copy, Justin?

18 MR. RICHARDSON: I'll give you
19 my copy in a second.

20 MS. HOLLENBERG: Okay.

21 Q. (By Mr. Richardson) I want to -- I'll read
22 it to you, if that's all right. Well, you
23 have it in front of me [sic]. You can read
24 down below. The third paragraph below the

1 divide where it says Page 654, it says, "The
2 Company recently completed negotiations with
3 the property owners association at
4 Suissevale for the purpose of obtaining a
5 commitment of contributed capital towards
6 the Paradise Shores water storage project."
7 And then it says, "On December 1, 2003, the
8 Company filed with the Commission a letter
9 from Suissevale, dated November 25, 2003,
10 indicating Suissevale's commitment to
11 contribute a proportionate share of the
12 total cost of this project, subject to
13 certain terms and conditions."

14 Now, do you agree or not agree that
15 that's about the time during which that
16 commitment was made?

17 A. Yeah, that's fine. I came on the board as
18 of July of 2003. I remember it coming up.
19 But what I guess I was referring to was the
20 300,000. And so it evolved after that.

21 Q. Okay. Absolutely.

22 Now, let me ask you your -- let me show
23 you a document -- and I've got copies for
24 all the parties here -- about the water

1 demands that exist on the Suissevale and
2 Paradise Shores systems.

3 MR. RICHARDSON: Why don't we
4 mark this for identification as LWR, I believe
5 we're up to Exhibit 15 now.

6 THE CLERK: That's correct.

7 CHAIRMAN IGNATIUS: Any
8 objection?

9 MS. HOLLENBERG: No.

10 CHAIRMAN IGNATIUS: So marked
11 for identification.

12 (Exhibit LRW 15 marked for
13 identification.)

14 Q. (By Mr. Richardson) And you can see the
15 other -- do you have the document in front
16 of you?

17 A. Yes, I was just starting to take a look at
18 it.

19 Q. All right. So it's got -- I'll represent to
20 you that this is Lakes Region's data on
21 connections and volume consumed. And you
22 see where it says for the year 2005 POASI
23 has 340 connections, and then in 2011 there
24 were 364?

1 A. Okay. I see that.

2 Q. And I believe in your testimony, right on
3 Page 1, I think you say today there's about
4 375 connections.

5 A. Yeah. You know, if it's 364, I mean, that
6 could be accurate. I thought it was around
7 370.

8 Q. But so since 1999 there's been an increase
9 of about 119, I think you said, up to the
10 present. So in 2003, when the financing
11 commitment's made, we have to assume there's
12 some number less than 340; is that right?

13 A. My understanding is that in 2003 we had
14 around 314.

15 Q. Okay.

16 A. And in '04 it jumped to 330.

17 Q. Right. And that was the real estate boom
18 really at its height there.

19 A. Between 1999 and say 2005, I think that's
20 when the vast majority of the building
21 occurred. Probably both. At least in
22 Suissevale and probably in Balmoral as well.

23 Q. So that the negotiations over the tank --
24 the storage tank are taking place in an

1 environment where there's pretty rapid
2 growth, and no one really knows where it's
3 going to end.

4 A. Well, I would agree that there was growth.
5 I wouldn't agree that no one knew where it
6 was going to end, because, in fact, in
7 connection with the water storage tank, I
8 know that people at Suissevale went and did
9 projected build-outs. And you actually see
10 reference to that in 2008 reports that Lakes
11 Region submitted to DES.

12 Q. Now -- and those were reports that were
13 commissioned by who?

14 A. For example, I remember reading a 2008
15 report by Lewis Engineering that was
16 submitted to the DES addressing some of the
17 LODs, I think. And I remember that they
18 projected build-out for both Balmoral and
19 Suissevale. And I remember -- I wasn't
20 involved, but I remember our business
21 manager, Robert Moy, and our then-president,
22 Neil Prescott, they drove the entire
23 association looking at every lot that wasn't
24 developed and trying to make an estimate as

1 to how many lots could be developed.

2 Q. And I'm trying to figure out, are they doing
3 this on behalf of -- is Suissevale
4 requesting that these studies be done, or
5 POASI? Or is it Lakes Region Water Company?
6 Or is it a combination? The build-out
7 studies you referred to.

8 A. For us, it was -- I think it was both.
9 Because one of the questions at the time
10 was, you know, making a sizable investment
11 in this tank, we wanted to know would it
12 provide a long-term solution.

13 Q. So, both you and Suissevale -- both
14 Suissevale and Lakes Region were really
15 looking at the same questions as to whether
16 this tank is going to be sufficient.

17 A. Yeah, that was the -- they told us it was.

18 Q. All right. Let me get another document out
19 here for you.

20 MR. RICHARDSON: Why don't we
21 call this one LWR Exhibit 16.

22 A. Could I just ask one question about this?

23 CHAIRMAN IGNATIUS: Yeah. Mr.
24 Richardson?

1 Q. (By Mr. Richardson) Oh, I'm sorry. I
2 actually moved on to this earlier than I
3 intended to. But that's fine. Go ahead.

4 A. I just want to know where the information
5 came from on the consumption information,
6 whether this -- because we get regular
7 reports from Lakes Region, and I've looked
8 at consumption information. So I don't know
9 the volume in cubic feet, the average volume
10 per connection. I just want to know where
11 this was coming from.

12 Q. I'm assuming it's the Company meter data.
13 But I don't know the answer to that.

14 Is this -- does this data -- well,
15 let's look at volume in cubic feet for 2005.
16 And you see where it says POASI, and it's
17 1.4 million, basically, round numbers. And
18 then in 2011 it's 1.6 million. So it's
19 increased as the number of service
20 connections has increased. Do you think
21 that is consistent with what Suissevale's
22 own data shows?

23 MR. PATCH: I just want to
24 object to the form of the question. It

1 actually shows a decrease as you get to the
2 end. You said it's increased as the
3 numbers -- if you look at the number --

4 MR. RICHARDSON: I'm sorry.
5 Right. 2005 to 2011.

6 MR. PATCH: It's gone from
7 1,423,000 to one million -- in 2010, 1,836,000
8 and then down to 1,628,000.

9 Q. (By Mr. Richardson) Yeah, I agree with
10 Attorney Patch's suggestion. But my
11 question is really just that is this data
12 and the overall trend consistent with what
13 Suissevale's own records show?

14 A. Well, I have seen consumption data for
15 Suissevale. I always got it in gallons. So
16 I can't do the math in my head between
17 volume and cubic feet. I will tell you that
18 generally this looks to be accurate, in the
19 sense that it went up from '05 to '06. We
20 had a little bit less in '07 and '08, a
21 little bit more in '09. 2010 was a pretty
22 big spike, which we think was attributable
23 to, at least in part, to a leak that got
24 corrected, because you see that in 2011 the

1 consumption goes down again. So if those
2 numbers equate to gallons, then that looks
3 to be, you know, the same pattern. But we
4 don't -- I can't verify for you Balmoral
5 consumption because we don't get that.

6 Q. All right. Fine. I have the same data in
7 gallons, but I only brought -- actually, I
8 didn't bring a copy of it. It was just
9 handed to me.

10 MR. RICHARDSON: Would it be
11 helpful to show it to him? Do parties object
12 or --

13 CHAIRMAN IGNATIUS: I'm not sure
14 what the question is to be confirmed.

15 MR. RICHARDSON: Okay. I'm --

16 CHAIRMAN IGNATIUS: Mr. Skelton
17 asked what the source of the data was, and you
18 said you weren't sure.

19 MR. MASON: Meter data.

20 Q. (By Mr. Richardson) But really, my point is
21 simple, that there's an overall -- there's
22 been an increase in consumption as
23 Suissevale's build-out has continued. And
24 certainly one might expect that it would

1 have been less in 2003 than even it was in
2 2005.

3 A. I'm not sure I follow that question. I
4 mean, yes, there has been an increase from
5 if you take from 2005 through 2011. I think
6 that from that point we only -- I think
7 there was 14 houses that came online after
8 2005. The major growth in houses was from
9 1999 to 2005.

10 Q. Okay. Now, let me show you a document I'd
11 like to mark as LWR Exhibit 16.

12 Tom, could you pass this out to the
13 parties again? Oh, I need one more. Could
14 I have one for the witness, too?

15 CHAIRMAN IGNATIUS: Any
16 objection? These are rules of
17 the environmental services being marked as an
18 exhibit for identification.

19 MS. THUNBERG: No objection.

20 CHAIRMAN IGNATIUS: LRW 16.

21 (Exhibit LRW 16 marked for
22 identification.)

23 MR. PATCH: I would just like to
24 note it says at the top, "Interim rule adopted

1 9/24/07." So, you know, as an interim rule, I
2 think under the Administrative Procedures Act,
3 there's a certain period of time that an
4 interim rule is valid for. I don't know that
5 it's still valid today or -- I'm not sure the
6 purposes he's using it for, but I just wanted
7 to point that out.

8 MR. RICHARDSON: I believe this
9 is a replacement to the earlier rule. If you
10 read above, it says, "Re-adopt ENV-Ws 363"
11 from 1999, effective... and so it's a
12 continuation of a prior rule.

13 CHAIRMAN IGNATIUS: Well, I
14 don't think that was Mr. Patch's point. Once
15 it's -- it may be in as a continuation, but if
16 it isn't finalized and made a final rule, it's
17 no longer in effect. But since we don't know
18 what the purpose of the question is, why don't
19 you go ahead and we'll...

20 Q. (By Mr. Richardson) Well, you testified
21 earlier that Suissevale had kind of done its
22 own assessment of its supply needs in
23 conjunction with the one that was being done
24 by Lakes Region in its decision to build the

1 tank. And Suissevale --

2 MR. PATCH: Excuse me. I object
3 to the form of the question. I don't think
4 that's what he testified to. I think he
5 testified to the fact that they went around
6 and looked at what lots were buildable and
7 what weren't.

8 MR. RICHARDSON: Right, as part
9 of a build-out analysis.

10 CHAIRMAN IGNATIUS: Right. I
11 recall him discussing a build-out analysis. I
12 guess what -- state your question again. I'm
13 sorry.

14 MR. RICHARDSON: Sure.

15 Q. (By Mr. Richardson) As you did your building
16 analysis, that was because Suissevale, as
17 the owner of its own distribution system,
18 has to operate under DES rules; right?

19 A. We're a PORS. And I don't know what that
20 acronym stands for. Property Owners
21 Redistribution System? We actually contract
22 with the affiliate, Lakes Region Water
23 Services, to be our certified operator.

24 Q. Absolutely. And one of the requirements, if

1 you look at ENV-Ws 363.04, which is a
2 business plan, if you look down under
3 (a)(5) -- that's about the third line up
4 from the bottom -- it says that there has to
5 be an assessment by the system concerning
6 system expansion or reduction where
7 appropriate, as determined by the owner.
8 Now, Suissevale is the owner of its system;
9 right?

10 MR. PATCH: Chairman Ignatius,
11 I'm going to object to this. I don't think
12 Suissevale is a public water system under
13 either the law or the DES rules. As Mr.
14 Skelton testified, it's actually a separate
15 designation. I think the legislature passed
16 something, I'm thinking it's four or five
17 years ago, that provides for a separate
18 designation for this kind of system. So it's
19 not a public water system. In fact, if you
20 looked at one of the exhibits to Mr. Skelton's
21 testimony, Exhibit No. 5, there was a
22 determination in October of 2003 that
23 essentially, I think, confirms that. So I
24 don't -- I'm not convinced -- I haven't looked

1 at all the DES rules. But I'm not convinced
2 that the rule that Mr. Richardson is
3 cross-examining him about is even relevant to
4 Suissevale.

5 CHAIRMAN IGNATIUS: Mr.
6 Richardson.

7 MR. RICHARDSON: Well, I guess
8 that goes to argument at the end of the day as
9 to whether this rule applies. But it's
10 certainly fair for cross-examination.

11 CHAIRMAN IGNATIUS: Well, it
12 goes to argument whether it's persuasive. But
13 first just is relevance. I guess, can you
14 explain why your understanding is that --

15 MR. RICHARDSON: The witness --

16 CHAIRMAN IGNATIUS: Let me
17 finish -- why POASI falls under the rule that
18 you presented?

19 MR. RICHARDSON: Well, it's my
20 understanding that the Suissevale system is
21 a -- falls within the category of
22 non-transient, non-community public water
23 systems. So the rule, if you read the top,
24 ENV-Ws 363.01, is capacity assurance for

1 existing public water systems. Now, I'm not
2 aware of any definition that would take this
3 Suissevale system out of what is known as a
4 public water system.

5 MR. PATCH: Well, again, I would
6 just point you to Exhibit 5 to Mr. Skelton's
7 testimony. If you look at the second full
8 paragraph, the last sentence, it says, "The
9 water distribution system owned and operated
10 by the association thus does not [sic] fall
11 within the exclusion from the definition of
12 'public water system' found at 485:1-a, XV.
13 You know, I mean, I just think he's confusing
14 two different kinds of public water systems.

15 MR. RICHARDSON: I'm sorry. If
16 it doesn't fall within the exclusion, then it
17 falls within the definition. I'm sorry. I
18 don't have the exhibit front of me, but --

19 CHAIRMAN IGNATIUS: Yeah, the
20 letter -- I think, Mr. Patch, you may have
21 bumbled the words there. The letter says that
22 the water distribution system owned and
23 operated by the association thus does --

24 MR. PATCH: Does fall. I'm

1 sorry.

2 CHAIRMAN IGNATIUS: -- fall
3 within the exclusion, meaning it's not a
4 public water system.

5 MR. PATCH: That's right.

6 MR. RICHARDSON: I'm sorry. I'm
7 looking for Exhibit 5. Where is that?

8 CMSR. HARRINGTON: Very last
9 page.

10 CHAIRMAN IGNATIUS: Let me
11 suggest something. It's 5:00. Why not, Mr.
12 Richardson --

13 MR. RICHARDSON: I'd like to --

14 CHAIRMAN IGNATIUS: -- take a
15 look at this before we come back again. And
16 if it's appropriate to continue on this line
17 of questioning, we'll do so. And if upon
18 further research it's not appropriate, then
19 you can make that determination when we come
20 back.

21 MR. RICHARDSON: Well --

22 CHAIRMAN IGNATIUS: There are a
23 couple -- it's 5:00, so I think we do need to
24 wrap up. There was a couple of other

1 questions I wanted to ask before people go.

2 Mr. Patch, you may have
3 intended, I'm not sure, to mark something. We
4 have on the bench here, two letters from --

5 MR. PATCH: Oh, I meant to
6 withdraw those. I apologize. There were some
7 concerns from other THE parties about them,
8 so...

9 CHAIRMAN IGNATIUS: All right.
10 So we'll pretend we never saw them.

11 MR. RICHARDSON: If you please,
12 I would object, because there was a reference
13 to things that were said in the settlement
14 agreement negotiations. So I would urge the
15 Commission not to -- if you have it on your
16 desk, please it --

17 CHAIRMAN IGNATIUS: That's fine.
18 Haven't looked at it.

19 So I think, unless there's --
20 I know, Mr. Skelton, you were
21 hoping not to return on the 31st -- the 21st.
22 If we think we can stay a little longer and
23 that works for people and we can complete this
24 witness and save him the trip next week, I'm

1 happy to try to do so. If we're coming back
2 anyway, and I think -- I'm not sure we're
3 going to be able to wrap this up, then --

4 MR. RICHARDSON: I'm almost
5 done.

6 CHAIRMAN IGNATIUS: All right.
7 Is everyone able to stay a little longer?

8 MS. HOLLENBERG: I actually have
9 to go. So you guys...

10 THE WITNESS: You know, this is
11 important to us. I can come back.

12 CHAIRMAN IGNATIUS: All right.
13 Then why don't we -- I think everyone's
14 getting a little weary here, anyway. Why
15 don't we adjourn for the day and resume at
16 10:00 on March 21st, with Mr. Skelton on the
17 stand.

18 And you have a question, I can
19 see.

20 THE WITNESS: If there's going
21 to be more questions on this exhibit, could I
22 get the data, the Balmoral readings, because I
23 only get the Suissevale readings, if I'm going
24 to be asked about it.

1 CHAIRMAN IGNATIUS: And that's
2 15, LRW 15 that you're referring to.

3 All right. Anything further
4 before we adjourn for the day? If not, thank
5 you for your patience. And we've been at it a
6 long time today, so thank you everyone. We'll
7 see you on the 21st.

8 (Day 2 Afternoon Session adjourned at
9 5:03 p.m.)

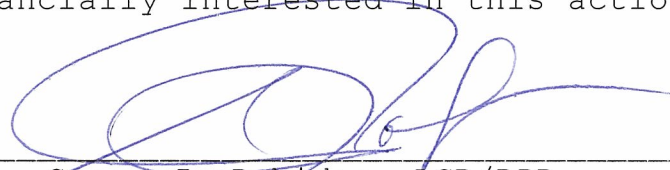
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[WITNESS: Skelton]

C E R T I F I C A T E

1
2 I, Susan J. Robidas, a Licensed
3 Shorthand Court Reporter and Notary Public
4 of the State of New Hampshire, do hereby
5 certify that the foregoing is a true and
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8 place and on the date hereinbefore set
9 forth, to the best of my skill and ability
10 under the conditions present at the time.

11 I further certify that I am neither
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13 employed by any of the parties to the
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