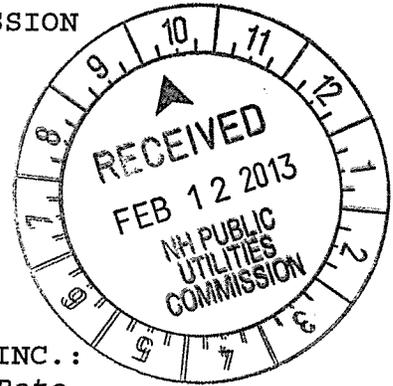


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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

January 29, 2013 - 10:06 a.m.
Concord, New Hampshire



RE: DW 12-306
ROSEBROOK WATER COMPANY, INC.:
Notice of Intent to File Rate Schedules. (Prehearing conference)

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Rosebrook Water Company:
Stephen P. St. Cyr
Nancy Oleson
George Dana Bisbee, Esq. (Devine Millimet)

Reptg. PUC Staff:
Marcia A. Brown, Esq.
Mark Naylor, Director/Gas & Water Division
Robyn Descoteau, Gas & Water Division
Jayson Laflamme, Gas & Water Division

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

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P R O C E E D I N G

1
2 MS. ROSS: All right. I would like to
3 open the hearing this morning on DW 12-306. I'm Anne
4 Ross. I'm going to be serving as Hearings Examiner today.
5 And, I will make a recommendation to the Commission with
6 regard to any decisions that need to be made in the
7 docket. This is DW 12-306, Rosebrook Water Company. On
8 October 12, 2012, Rosebrook filed a notice of intent to
9 file rate schedules. And, on November 30th, 2012, filed
10 its rate schedules, which would increase its annual
11 revenues by \$70,058, or 33.44 percent. Rosebrook also
12 seeks approval of temporary rates pursuant to 378:27, at a
13 level equal to its currently effective rates during the
14 pendency of the permanent rate proceeding. Rosebrook
15 proposes that temporary rates be effective as of the date
16 it notifies customers of its rate case request.

17 In checking the docket, I noted there
18 was an affidavit filed indicating that a mailing was made
19 on January 7th, 2013. So, I believe the notice
20 requirement has been fulfilled.

21 Are there any intervening parties? Any
22 requests to intervene in this docket?

23 (No verbal response)

24 MS. ROSS: All right. In that case, I

1 would like to take appearances. And, you may just give
2 your initial position when you give your appearance.

3 MR. ST. CYR: Good morning. My name is
4 Stephen P. St. Cyr. And, with me is Nancy Oleson
5 representing Rosebrook Water Company.

6 MR. BISBEE: Hi. I'm Dana Bisbee,
7 Ms. Ross. I'm also representing Rosebrook, but solely in
8 the capacity of working with the Staff and the Commission
9 on the compliance issues relating to the affiliate
10 contracts.

11 MS. ROSS: Okay. Thank you. And, as I
12 understand, those issues will be considered in the rate
13 case. Yes.

14 MS. BROWN: Good morning, madam Hearings
15 Examiner. Marcia Brown, on behalf of Staff. And, with me
16 today is Mark Naylor, Robyn Descoteau, and Jayson
17 Laflamme. And, Staff has a prepared statement to read
18 into the record.

19 MS. ROSS: Okay. Would the Company like
20 to give its initial position first, or after Staff?

21 MR. ST. CYR: We'll go first.

22 MS. ROSS: Okay.

23 MR. ST. CYR: Rosebrook Water Company is
24 a small water company that serves 404 customers in the

1 Town of Carroll. It has two wells, one pump station, one
2 storage tank with a brand new roof, mains, services,
3 meters, and hydrants. At December 31, 2011, the Company
4 had total assets of \$901,694, including \$653,108 of net
5 utility plant. It had a significant amount of cash at the
6 end of the year, much of which had been contributed and
7 was used in 2012 for major capital improvements. It has
8 \$505,255 of equity capital, \$35,484 of long-term debt owed
9 to the State through a State Revolving Fund loan, and
10 \$360,956 of other liabilities and credits.

11 The Company bills quarterly. It has 18
12 commercial customers, including the Mount Washington
13 Hotel, and 386 residential customers. Its 2011 revenues
14 amounted to \$209,518. Its 2011 operating expenses
15 amounted to \$168,943, resulting in a net operating income
16 of \$40,575. The 2011 expenses were reduced by the
17 write-off of \$47,234 owed to two affiliates, BW Club and
18 Mount and W -- I'm sorry, MWH Construction for management
19 and operational services. If it were not for the
20 write-offs, the Company would have experienced a net loss.
21 The proforma adjustments related to management and
22 operations are essentially to restore the proper level of
23 expenses.

24 It has been 13 years since the last rate

1 increase. The Company's present rates were authorized in
2 DW 99-073 by the Public Utilities Commission, in Order
3 Number 23,441, dated April 10, 2000.

4 The Company respectfully requests the
5 Commissioners accept this filing in support of its request
6 for a rate increase so as to generate enough revenues to
7 earn the proposed rate of return and cover its operating
8 expenses. If the rate filing is accepted as submitted,
9 the Company would realize an annual increase in revenues
10 of \$70,058. The permanent revenue increase of \$70,058
11 would enable the Company to earn a 10.78 percent rate of
12 return on its rate base of \$455,043. The average annual
13 amount for a residential customer would increase from
14 \$212.30 to \$283.54, an increase of \$71.24, or
15 33.56 percent.

16 The Company is also proposing to make
17 the existing rates temporary until such time as the PUC
18 makes a determination in the permanent rates. The
19 proposed temporary rate date would be the date in which
20 customers were notified of the proposed rate increase,
21 namely January 8th, 2013. The Company believes that the
22 net loss position justifies making the existing rates
23 temporary.

24 The Company looks forward to working

1 with Staff, and anticipates that any issue or problem that
2 arises during the course of the proceeding can be worked
3 out and resolved. And, I thank you for your time and
4 appreciate your consideration.

5 MS. ROSS: I have one question. What
6 percentage of the annual revenues are paid by the Mount
7 Washington Hotel?

8 MR. ST. CYR: It's a significant amount.
9 I'm going to say, subject to check, approximately
10 90 percent of their revenue.

11 MS. ROSS: Okay. Thank you. Staff.

12 MS. BROWN: Good morning. Staff would
13 like to call the Commission's attention to its letter
14 dated December 14th, 2012, that it has filed in both this
15 docket, as well as the stock transfer docket, which is DW
16 12-299. In that letter, Staff alerted the Commission to
17 some of Staff's concerns.

18 First, it appears that much of the
19 proposed increase that was again cited this morning by the
20 Company, in the rate case, relates to the provision --
21 relates to services provided under affiliate contracts,
22 which were not timely filed with the Commission under RSA
23 366. These contracts have since been filed since Staff's
24 letter, and a docket DA 13-001 was opened to receive these

1 affiliate contracts, but now we know that these contracts
2 are no longer applicable in the rate case. The employees
3 that were involved in the affiliate contracts have been
4 hired directly by Rosebrook. So, that is a fairly
5 significant change to the rate filing.

6 Also, in Staff's opinion, Rosebrook has
7 used a 2011 test year. And, now, with the affiliate
8 contracts no longer being relevant, Staff's of the opinion
9 that that test year is wholly unrepresentative of the
10 costs going forward for this Company. Because of this
11 major change from the rate filing, Staff takes the
12 position that the rate filing is defective. And, we are
13 offering two solutions: One, the Commission could reject
14 the rate case, and Rosebrook can file a new rate case
15 based on a 2012 test year, and make the appropriate
16 proforma adjustments for the actual operating expenses it
17 will incur going forward. Or, second, the Commission can
18 accept the rate case, but require Rosebrook to supplement
19 it. Staff is aware that, in the supplement, Rosebrook is
20 going to need to address its staffing plan and any changes
21 in the costs. And, this is not an insignificant
22 supplement.

23 If Staff [Commission?] takes this latter
24 option, Staff recommends the Commission deny the present

1 request for temporary rates, or delay consideration of
2 them until Rosebrook has a real rate filing proposal
3 before the Commission that contains actual costs going
4 forward.

5 Regardless of which option the
6 Commission takes, Staff believes that, because there will
7 likely be a substantial change from the initial rate
8 filing to what is actually processed before the
9 Commission, that the public be re-noticed.

10 With respect to the rate case, there are
11 some other issues that Staff will flag for the Company and
12 the Commission at this point. Rosebrook has entered into
13 an agreement with Resort Waste, and Resort Waste is an
14 affiliate, and that entity has been previously regulated
15 by the Commission. This agreement between Rosebrook and
16 Resort Waste provides operating and maintenance services
17 -- or, operation and maintenance services, using four
18 recently hired employees. So, this is going to be another
19 area that Staff will need to carefully investigate, to
20 make sure that the Rosebrook customers/ratepayers are only
21 paying a reasonable and necessary level of O&M expense for
22 services provided under this agreement. So, there's one
23 issue.

24 And, with respect to the Company's

1 accounting, there's been past concern about accounting
2 with the CIAC account. This is a dedicated account for
3 capital improvements. Staff will be looking at that
4 issue.

5 Also, rate design, Staff will be looking
6 at rate design issues. Rate design has been an issue in
7 the past, as cited in Staff's December 14th letter. It
8 cited the Commission's past Order 24,773, dated July 2007,
9 and, at that point, it was brought to light that the Hotel
10 had been permitted to use water from Rosebrook on an
11 unmetered basis to make snow, that had -- and that the
12 Hotel had also been charged under a expired special
13 contract. Because of that past preference for the Hotel,
14 Staff will be looking at making sure that the Hotel,
15 because it is such a substantial user, is paying a
16 reasonable amount of the revenue requirement.

17 Also, as contained in the order of
18 notice, commercial customers using both -- or, 2-inch,
19 3-inch, and 8-inch mains presently pay the same volumetric
20 rate as residential customers. Staff's not of an opinion
21 that that is reasonable at this point.

22 MR. NAYLOR: Meters.

23 MS. BROWN: Oh, I'm sorry. Did I say
24 "mains"? I meant "meters". Thank you for that

1 correction.

2 As in all rate cases, Staff will be
3 coordinating with the Commission's Audit Staff to do a
4 complete audit of the Company's books and records. Also,
5 as in prior rate cases, Staff will conduct a full
6 discovery on whatever rate filing ultimately is in this
7 docket.

8 There are other dockets that relate to
9 this rate case. And, Staff would just like to touch upon
10 those briefly. There's a stock transfer request, and
11 that's been docketed as DW 12-299. Rosebrook has had a
12 history of non-compliance with Commission rules and
13 regulations, both under the previous ownership and current
14 ownership, and that is a concern of Staff. I won't go
15 into the specifics of the non-compliance. They are
16 illustrated in -- or, detailed in Staff's December 14th
17 letter. But compliance remains an issue, and Staff does
18 want to address that with the Company.

19 Rosebrook has requested authority to
20 transfer its stock. And, as Staff has put on the record,
21 it recommends that the Commission delay action in that
22 docket, until the issues of the affiliate contracts, O&M
23 costs, and possible sanctions are resolved.

24 So, I'd like to circle back to the rate

1 case. And, Staff is proposing two options to the
2 Commission: One, to reject the filing and have Rosebrook
3 refile it, or direct the Company to substantially
4 supplement the filing.

5 And, with that, Staff does look forward
6 to discussing these issues with the Company in the tech
7 session following this prehearing. Thank you.

8 MS. ROSS: Thank you. Given the fact
9 that we, I believe, are scheduled to have a technical
10 session following this prehearing conference, what I would
11 suggest, since Staff is apparently requesting relief in
12 the form of an oral motion, that the parties attempt to
13 conduct some discussions in the technical session about
14 how best to solve some of the management and staffing
15 changes that have occurred, so that this case can move
16 forward efficiently.

17 So, rather than trying to make a
18 recommendation to the Commissioners on the two options
19 that Staff has identified, one would be to reject the
20 filing and the other would be to request an amended filing
21 with a new test year, I would recommend the parties try to
22 refine that recommendation into something that the Company
23 can support or at least, if not, into one recommendation
24 to the Commission, so that it isn't faced with trying to

1 choose between two, without a lot of record of facts to
2 support those recommendations.

3 Is that agreeable to the parties, that
4 you could do a little further work?

5 MR. ST. CYR: It is. Yes.

6 MS. BROWN: Yes, with Staff as well.

7 Thank you.

8 MS. ROSS: Okay. Thank you. Are there
9 any other procedural issues that need to be addressed this
10 morning, before we close this hearing?

11 MR. ST. CYR: No.

12 MS. ROSS: Okay. Thank you very much.

13 MS. BROWN: Thank you.

14 **(Whereupon the prehearing conference**
15 **ended at 10:22 a.m., and a technical**
16 **session followed between the Company**
17 **and PUC Staff.)**

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