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STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

August 20, 2013 - 10:09 a.m.  
Concord, New Hampshire

NHPUC SEP05'13 AM10:06

RE: DW 12-355  
DOCKHAM SHORES ESTATES WATER COMPANY, INC.  
*Notice of Intent to File Rate Schedules.*

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

Sandy Deno, Clerk

APPEARANCES: Reptg. Dockham Shores Estates Water Company:  
David W. Jordan, Esq.

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

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

ORIGINAL



**P R O C E E D I N G**

1  
2 CHAIRMAN IGNATIUS: All right. I'd like  
3 to open the hearing today in Docket DW 12-355. This is  
4 Dockham Shores Estates Water Company. And, pursuant to a  
5 procedural schedule that's already been approved and  
6 publicly noted, today we are going to be hearing argument  
7 and testimony regarding a settlement agreement that's been  
8 proposed, that was filed on August 12th, 2013.

9 So, let's begin first with appearances.

10 MR. JORDAN: Good morning,  
11 Commissioners. I'm David Jordan. I appear for the  
12 Company. And, with me is Colin Robertson, the president  
13 of the Company.

14 CHAIRMAN IGNATIUS: Good morning.

15 MS. BROWN: Good morning, Commissioners.  
16 Marcia Brown, on behalf of Staff. And, with me today is  
17 Mark Naylor, Robyn Descoteau, and Jayson Laflamme.

18 CHAIRMAN IGNATIUS: Good morning. Is  
19 there anything to take up on administrative details before  
20 we begin with presentation of the Settlement Agreement?

21 MS. BROWN: Well, I'd like to describe  
22 what we'd like to do for a presentation.

23 CHAIRMAN IGNATIUS: Good.

24 MS. BROWN: With the Stipulation

1 Agreement, we'd like to have Mr. Robertson and Ms.  
2 Descoteau as a panel, and have questions from Staff and  
3 Attorney Jordan. Staff and the Company have agreed to  
4 identification of certain exhibits. So, we'd like to go  
5 over those at this time.

6 CHAIRMAN IGNATIUS: All right.

7 MS. BROWN: The initial filing, which  
8 you have before you, we would like to have marked for  
9 identification as "Exhibit 1". That is the entirety of  
10 Tab 3 on the Commission's docketbook.

11 CHAIRMAN IGNATIUS: Help us with that,  
12 since that's not how we have it in our materials. Is it  
13 the February 11th, 2013 filing?

14 MR. JORDAN: Yes.

15 MS. BROWN: Yes.

16 CHAIRMAN IGNATIUS: Thank you. And,  
17 that looks like it runs sequentially 1 through 50 --

18 MS. BROWN: Fifty-five.

19 CHAIRMAN IGNATIUS: Fifty-five?

20 MS. BROWN: Yes.

21 CHAIRMAN IGNATIUS: Good. And, thank  
22 you for numbering it. A lot of people forget to do that.  
23 All right. So, we'll mark that for identification as  
24 "Exhibit 1".

1 (The document, as described, was  
2 herewith marked as **Exhibit 1** for  
3 identification.)

4 MS. BROWN: Exhibit 2, we propose the  
5 Stipulation Agreement, without the cover sheet. And, we  
6 provided a copy of that agreement to the Clerk.

7 CHAIRMAN IGNATIUS: All right. So  
8 marked.

9 (The document, as described, was  
10 herewith marked as **Exhibit 2** for  
11 identification.)

12 MS. BROWN: Now, part of the Stipulation  
13 proposes revisions to the tariff. We do not have the  
14 existing tariff on file, but I have copies to leave with  
15 you. I don't see the need to mark it as an official  
16 exhibit, because it's something that's in the public  
17 record. But, if you wish to have it marked for  
18 identification as a separate exhibit, we can do that. But  
19 I also have copies of this, of the 1989 tariff.

20 CHAIRMAN IGNATIUS: So, when you say  
21 "it's not on file", you don't mean it's -- it's not in  
22 this docket's filing, --

23 MS. BROWN: Correct.

24 CHAIRMAN IGNATIUS: -- but it is on file

1 with the Commission and available?

2 MS. BROWN: Yes.

3 CHAIRMAN IGNATIUS: Okay. Unless you  
4 expect us to need to flip between the old and the new, I  
5 don't see a reason to make it an exhibit here.

6 MS. BROWN: We were going to walk  
7 through sections that had changed, just to put them into  
8 the record, so that you would have a general knowledge of  
9 what changes have occurred and what had remained the same.  
10 So, yes, some of my questions were going to do a  
11 side-by-side comparison, but not in great detail.

12 CHAIRMAN IGNATIUS: All right. And,  
13 that's what's on the Bench here?

14 MS. BROWN: Oh. Yes, I guess I already  
15 handed that out to you.

16 CHAIRMAN IGNATIUS: Okay.

17 MS. BROWN: I forgot about that.

18 CHAIRMAN IGNATIUS: All right. Well,  
19 then -- so, the only question really is do we -- we'll  
20 have it available to look at, do we need to make it an  
21 exhibit? I don't see a reason to make it an exhibit,  
22 unless anyone has got a concern with that?

23 (No verbal response)

24 CHAIRMAN IGNATIUS: All right.

1 MS. BROWN: No. Okay. Thank you.

2 Then, for Exhibit 3 then, we'd like to  
3 mark a Excel spreadsheet entitled "Tariff Analysis" that  
4 Staff had done. That's before you. And, that completes  
5 what we propose for exhibits in this docket.

6 CHAIRMAN IGNATIUS: All right. And,  
7 that's a two-page back-to-back sheet that we've been given  
8 copies of?

9 MS. BROWN: Yes. It's a one-sided --

10 CHAIRMAN IGNATIUS: Actually, the second  
11 side looks like the same as the first side.

12 MS. BROWN: Yes, I guess --

13 CHAIRMAN IGNATIUS: Well, no. They're  
14 different. They're different.

15 CMSR. SCOTT: Yes, there's different  
16 numbers.

17 CMSR. HARRINGTON: Yes, there's an extra  
18 column that says "Impact" on the first one.

19 CMSR. SCOTT: Yes. The numbers are  
20 different.

21 MS. BROWN: One moment please.

22 CHAIRMAN IGNATIUS: Sure. Steve, let's  
23 go off the record.

24 (Off the record.)

[WITNESS PANEL: Robertson~Descoteau]

1 CHAIRMAN IGNATIUS: All right. We're  
2 back on the record.

3 MS. BROWN: Yes. With respect to  
4 Exhibit 3, it is a two-sided document, with a header for  
5 this particular docket, but also entitled "Tariff  
6 Analysis".

7 CHAIRMAN IGNATIUS: And, help me out.  
8 Should the first side -- one has four columns and one has  
9 three columns. One shows "Impact". Is that the first or  
10 the second page, the "Impact" side?

11 MS. DESCOTEAU: You can use the "Impact"  
12 side, the one that's the four-column side.

13 MS. BROWN: The first page would be the  
14 four-column side, with the "Impact" noted.

15 CHAIRMAN IGNATIUS: All right.

16 MS. BROWN: Thank you.

17 CHAIRMAN IGNATIUS: We'll mark that as  
18 "Exhibit --

19 MS. BROWN: Three.

20 CHAIRMAN IGNATIUS: -- 3".

21 (The document, as described, was  
22 herewith marked as **Exhibit 3** for  
23 identification.)

24 MS. BROWN: So, at this point, we're

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[WITNESS PANEL: Robertson~Descoteau]

1 ready to assemble the panel.

2 CHAIRMAN IGNATIUS: All right. Then,  
3 why don't you go ahead and get the witnesses seated and  
4 sworn.

5 (Whereupon *Colin F. Robertson* and  
6 *Robyn Descoteau* were duly sworn by the  
7 Court Reporter.)

8 **COLIN F. ROBERTSON, SWORN**

9 **ROBYN DESCOTEAU, SWORN**

10 **DIRECT EXAMINATION**

11 BY MS. BROWN:

12 Q. Good morning. Ms. Descoteau, I'd like to start with  
13 you. If you could please state your name and position  
14 with the Commission.

15 A. (Descoteau) My name is Robyn Descoteau. And, I'm a  
16 Utility Examiner -- Utility Analyst with the New  
17 Hampshire PUC.

18 Q. And, what do you consider to be your area of expertise?

19 A. (Descoteau) I am --

20 Q. Well, let me ask another question.

21 A. (Descoteau) No. Finance and accounting.

22 Q. And, do you consider the work that you perform here at  
23 the Commission to be within that area of expertise?

24 A. (Descoteau) Yes, I do.

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[WITNESS PANEL: Robertson~Descoteau]

1 Q. And, will your testimony today be within that area of  
2 expertise?

3 A. (Descoteau) Yes, it will.

4 Q. And, can you please briefly describe your involvement  
5 with this docket?

6 A. (Descoteau) I reviewed and evaluated and analyzed the  
7 schedules, the intent to file, the testimony, the rate  
8 schedules, the audit report, the data requests involved  
9 with this case.

10 Q. And, we've marked for identification a series of  
11 exhibits, and 1 being the initial filing. Did you  
12 review the initial filing?

13 A. (Descoteau) I did.

14 Q. And, Exhibit 2 was the Stipulation Agreement. Did you  
15 participate in that Stipulation?

16 A. (Descoteau) Yes, I did.

17 Q. And, Exhibit 3 was a tariff analysis. Are you familiar  
18 with that document?

19 A. (Descoteau) I am.

20 Q. Okay. Mr. Robertson, I'd like to have you state your  
21 name and business address on the record please.

22 A. (Robertson) Okay. My name is Colin Robertson. And,  
23 business address is 361 Weirs Road, W-e-i-r-s, Gilford,  
24 New Hampshire 03249.

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[WITNESS PANEL: Robertson~Descoteau]

1 Q. And, can you please describe your relationship with  
2 Dockham Shores?

3 A. (Robertson) My relationship is I'm the president of  
4 Dockham Shore Estates Water Company and the licensed  
5 operator.

6 Q. And, Mr. Robertson, with respect to Exhibit 1, the  
7 initial filing, can you please explain your involvement  
8 with that document?

9 A. (Robertson) The document being the Stipulation?

10 Q. The initial filing.

11 A. (Robertson) Okay. That's the February 11th? Yes.  
12 Okay.

13 Q. Yes, that document.

14 A. (Robertson) My involvement with that, we applied for a  
15 rate change, and that was part of the correspondence.  
16 And, I read it and reviewed it, and I agree with it.  
17 And, like I said, I've been involved with it, with the  
18 document, since it was issued.

19 Q. Okay. Mr. Robertson, with respect to this docket, did  
20 you participate in discovery with Staff?

21 A. (Robertson) I have a hearing problem. So, we may have  
22 a -- I have trouble understanding some of these  
23 questions.

24 Q. My apologies. Did you respond to discovery requests on

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[WITNESS PANEL: Robertson~Descoteau]

1           behalf of the Company?

2   A.     (Robertson) I did, yes.

3   Q.     And, did you also respond to audit --

4   A.     (Robertson) I did, yes.

5   Q.     Okay. Thank you. Do you recall the last time Dockham  
6           Shores has been in for a rate case?

7   A.     (Robertson) I think it was 1989, when we first appeared  
8           before the Board for a rate change. And, that was the  
9           first time we had a set rate. And, we haven't been  
10          back since. That's 25 years ago.

11   Q.     Would you agree that the Company is due for a rate  
12          increase at this point?

13   A.     (No verbal response).

14   Q.     Let me move on, another question. Mr. Robertson, in  
15          the initial filing there is testimony that begins on  
16          Page 41, your testimony. Do you remember this  
17          testimony?

18   A.     (Robertson) I don't -- do you have a copy of this  
19          document?

20                                 (Witness Descoteau showing document to  
21                                 Witness Robertson.)

22   BY THE WITNESS:

23   A.     (Robertson) The question is "Do I recall this  
24          testimony?"

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1 BY MS. BROWN:

2 Q. Well, I just wanted to make sure you had it in front of  
3 you. My real question is, at the time that you created  
4 this testimony, was it true and accurate at the time?

5 A. (Robertson) It's true, yes.

6 Q. Okay. Have some of the issues that you discussed in  
7 your testimony been superseded by the Stipulation  
8 Agreement?

9 A. (Robertson) I think the Stipulation Agreement has dealt  
10 with all the issues.

11 Q. All right.

12 A. (Robertson) I guess.

13 Q. And, I'd like to ask you, Mr. Robertson, a question  
14 about compliance with Department of Environmental  
15 Services. And, can you just explain whether you have  
16 any outstanding administrative orders or letters of  
17 deficiency with DES?

18 A. (Robertson) Yes. No, we have none. We've dealt with  
19 all our deficiency requests last November, I think it  
20 was when we dealt with it. And, there are no  
21 outstanding issues with DES --

22 Q. Okay.

23 A. (Robertson) -- at the moment.

24 Q. Does DES perform regular sanitary surveys on Dockham

[WITNESS PANEL: Robertson~Descoteau]

1 Shores?

2 A. (Robertson) Yeah, they do.

3 Q. And, do you have any capital improvements suggested in  
4 that sanitary survey?

5 A. (Robertson) No. None that we haven't dealt with.

6 Q. Okay. Do you have any capital improvements planned in  
7 the next year?

8 A. (Robertson) Yes. We need to -- we need to add one more  
9 float. We have a problem with our control on the well  
10 pumps. Right now, the well pumps alternate. We either  
11 have one or the other. And, there are times when we  
12 need to have both pumps on at the same time. In order  
13 to do that, we need to add another float in the tank  
14 and add a relay in the control panel at the wellhead.  
15 And, that's not an expensive process. It's just --  
16 it's a time-consuming process. So, we're -- I'm trying  
17 to get it done right now. I'd like to do it tomorrow  
18 or today. But we will certainly do it this year.

19 Q. Do you expect to need any financing for that capital  
20 improvement?

21 A. (Robertson) It shouldn't be an expensive process, and  
22 I'd like to handle it out of the revenue that we  
23 receive.

24 Q. Okay. Thank you. Ms. Descoteau?

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[WITNESS PANEL: Robertson~Descoteau]

1 A. (Descoteau) Yes.

2 Q. I'd like to have you turn to the Stipulation Agreement.

3 And, are you aware of any corrections or changes that  
4 ought to be made to this document?

5 A. (Descoteau) No, I'm not.

6 Q. Ms. Descoteau, could I have you turn to Page 2.

7 A. (Descoteau) Yes.

8 Q. And, I'd like to draw your attention to Paragraph B,  
9 "Customer Rate Impact".

10 A. (Descoteau) Yes.

11 Q. Fifth line down has a usage rate.

12 A. (Descoteau) Uh-huh.

13 Q. Can you please explain what unit that usage rate is in?

14 A. (Descoteau) That is per 100 gallons.

15 Q. Can I have you turn to the last page of the Stipulation  
16 Agreement. And, there are rates noted on the tariff  
17 attachment?

18 A. (Descoteau) Yes.

19 Q. You see that? Are those rates the rates that Staff and  
20 the Company are proposing?

21 A. (Descoteau) No. Those are the old rates. Those will  
22 need to be adjusted.

23 Q. Okay. Returning to Page 2, regarding the "revenue  
24 requirement", do you see that in Paragraph A?

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[WITNESS PANEL: Robertson~Descoteau]

1 A. (Descoteau) Yes.

2 Q. And, can you please summarize what revenue requirement  
3 Staff and the Company are proposing?

4 A. (Descoteau) The Staff is proposing an annual revenue  
5 requirement of \$41,042, based on test year rate base of  
6 66,877, with total operating expenses of 34,622, and  
7 the overall rate of return of 9.6 percent, yielding the  
8 operating income requirement of 6,420.

9 Q. What test year is the revenue requirement based on?

10 A. (Descoteau) 2011.

11 Q. So, has Staff made adjustments to that test year to  
12 come up with this revenue requirement?

13 A. (Descoteau) Yes, it has.

14 Q. Before I forget, I'd like to ask you, was there an  
15 audit done of the Company's books and records?

16 A. (Descoteau) Yes. The Audit Staff here at the  
17 Commission performed a comprehensive audit. And, the  
18 audit report was 38 pages. And, there were 14 issues  
19 that were found within the audit that were addressed.

20 Q. Were some of those issues relating to the revenue  
21 requirement?

22 A. (Descoteau) Yes.

23 Q. And, did you incorporate those issues in this  
24 recommended revenue requirement?

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[WITNESS PANEL: Robertson~Descoteau]

1 A. (Descoteau) Yes. They were incorporated either within  
2 the revenue requirement or within the stipulation  
3 requirement in Part D.

4 Q. Okay. Thank you. With respect to some of the  
5 adjustments, I'd like to have you draw the Commission's  
6 attention to some of the ones you felt were important.  
7 And, I believe this is going to be on one of the later  
8 schedules.

9 A. (Descoteau) Yes. If you could turn to Page 9, Bates  
10 Page 9. It's Attachment A, Schedule 2a.

11 Q. Thank you.

12 A. (Descoteau) Uh-huh.

13 Q. I just wanted to have you explain, because as I was  
14 going through some of these proforma adjustments, there  
15 were some items being added and then deleted. And, I  
16 thought, if there was any confusion, you could clarify  
17 that?

18 A. (Descoteau) Yes. The first one I'd like to bring to  
19 your attention is Adjustments 2, and related to that is  
20 Adjustment 5, they're both for \$22,212. What had  
21 happened was the Company had retired a pump in 2011,  
22 which it didn't record until 2012. The pump was fully  
23 depreciated. So, this adjustment retires the pump.  
24 So, in Adjustment 2, it's taking it out of plant in

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1 service for that negative amount. And, in Adjustment  
2 5, it's adjusting the accumulated depreciation, which  
3 is a positive amount. So, it's just why it looks like  
4 it's an in-and-out. It's just the accounting process  
5 of I'm taking it out of plant in service and adjusting  
6 the accumulated depreciation.

7 Q. Ms. Descoteau, I'd like to draw your attention to  
8 Page 10 and the hydrofracking adjustment. Can you  
9 please explain why Staff supported that adjustment?

10 A. (Descoteau) Okay. When I was looking at the expenses  
11 for the Company, for Dockham Shores, I noticed that  
12 there were a lot of expenses related to hydrofracking.  
13 And, the Company had attempted to drill a well and were  
14 looking for water. And, the hydrofracking ended up  
15 being unproductive. And, the total cost of this was  
16 \$7,357. So, I decided that it was more product -- more  
17 efficient, not "efficient", but more correct to have  
18 that as amortization. So, I took it out of expenses,  
19 and you could also see that on Page 13, on Attachment  
20 A, Schedule 3a. I actually have two Adjustment 10s.  
21 So, I kind of sense that I can call that "10a". Where  
22 I took the \$7,357 out of expenses. And, then, on  
23 Schedule 2a, Page 2, which is Bates Page 10, you can  
24 see Adjustment 7 and 9, where I took the hydrofracking

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[WITNESS PANEL: Robertson~Descoteau]

1 costs and amortized them over five years. We took a  
2 year worth of the expense for amortization expense in  
3 Adjustment 7, and Adjustment 9 records for 73 --

4 (Court reporter interruption.)

5 **CONTINUED BY THE WITNESS:**

6 A. (Descoteau) Oh. Adjustment 9 is the hydrofracking  
7 amortization, 7,357, less one year amortization  
8 expense, to record 5,886, which the Company will  
9 continue to amortize over the next four years.

10 BY MS. BROWN:

11 Q. Thank you. Ms. Descoteau, I'd like to ask you a  
12 question about rate base. That appears on your  
13 Schedule 2, which is Page 8 of the Stipulation  
14 document. Do you have an opinion as to whether the  
15 plant equipment and capital improvements represented in  
16 this rate base are used and useful in the provision of  
17 service to customers?

18 A. (Descoteau) Yes. They are used and useful.

19 Q. And, some of the items in rate base were subject to the  
20 audit, is that correct?

21 A. (Descoteau) They were all audited.

22 Q. Thank you. Going back to Page 3 of the Stipulation  
23 Agreement, there are a series of items under the  
24 Uniform System of Accounts, such as "records", "general

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1 numbering", "continuing property records"?

2 A. (Descoteau) Yes.

3 Q. With respect to the January 1, 2013 deadline for  
4 records and general numbering, and knowing that today  
5 is August, how is it -- can you just please explain how  
6 the Company will be complying with this passed  
7 deadline?

8 A. (Descoteau) That appears to be a typo.

9 Q. Okay.

10 A. (Descoteau) It should be "2014".

11 Q. Okay. Is it that they would be using their books and  
12 records for the calendar year 2013, and that's all that  
13 this deadline or this date is meant to suggest?

14 A. (Descoteau) Can you repeat the question?

15 Q. For records, and with the fiscal year beginning  
16 January 1, 2013, am I correct in the statement that the  
17 Company would be taking its 2013 books and records and  
18 being compliant, rather than having compliance  
19 effective January 2014?

20 A. (Descoteau) Yes.

21 Q. Okay. So, I didn't mean to confuse you. But, when you  
22 said that there was a "typo", that's not a typo,  
23 correct? I'm sorry. The 2000 -- when you had me  
24 correct the "2013" to "2014", that is not a typo. It

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[WITNESS PANEL: Robertson~Descoteau]

1 actually should be "2013", would you agree?

2 A. (Descoteau) Yes.

3 Q. Okay. Does the Staff have any concerns with the  
4 Company meeting these deadlines with respect to  
5 records, general numbering, and continuing property  
6 records?

7 A. (Descoteau) Can you repeat the question?

8 Q. Does Staff have any concerns with the Company meeting  
9 these deadlines?

10 A. (Descoteau) No, it doesn't.

11 Q. Thank you. Ms. Descoteau, did you review the proposed  
12 changes to the tariff?

13 A. (Descoteau) I did.

14 Q. Can you please describe what you did?

15 A. (Descoteau) I read through the tariff, and I compared  
16 it to three other larger tariffs that I was familiar  
17 with, to make sure it was consistent with those  
18 tariffs. And, then, I spoke with the Consumer Affairs  
19 Division on a couple of them that were different that I  
20 wasn't familiar with, and determined that they were  
21 consistent. And, then, I also compared it with a  
22 fourth that it was almost identical with that had been  
23 approved with the Commission, approved by the  
24 Commission.

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[WITNESS PANEL: Robertson~Descoteau]

1 Q. What were the companies and the tariffs you compared  
2 to? Did you already state that?

3 A. (Descoteau) Uh-huh. I compared it with Hampstead,  
4 Pittsfield, Aquarion, and the one it's identical with  
5 is Lakeland.

6 Q. Do you have an opinion as to the reasonableness of the  
7 proposed changes?

8 A. (Descoteau) I feel they're reasonable, fair, and just.

9 Q. Do you have Exhibit 3 in front of you, the "Tariff  
10 Analysis"?

11 A. (Descoteau) I do.

12 Q. And, did you create this document?

13 A. (Descoteau) I did.

14 Q. And, can you explain how you used this in your analysis  
15 of the tariffs?

16 A. (Descoteau) What I did was I created the spreadsheets  
17 that I could compare it to see how the proposed  
18 compared to other utilities, and make sure that the  
19 proposed rates were comparable to those of other  
20 utilities. And, that they were fair.

21 Q. I'm sorry. What did you just say?

22 A. (Descoteau) That they were fair.

23 Q. That you felt -- concluded they were fair?

24 MS. BROWN: Just a minute.

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[WITNESS PANEL: Robertson~Descoteau]

1 (Atty. Brown conferring with Mr.  
2 Naylor.)

3 BY MS. BROWN:

4 Q. Ms. Descoteau, I just want to clarify that, when you  
5 made this comparison, you were looking at the non water  
6 rates?

7 A. (Descoteau) I was looking at the non water rates,  
8 correct.

9 Q. Okay. Thank you.

10 CMSR. HARRINGTON: I'm sorry. Could you  
11 repeat that, I didn't understand? The "non water rates",  
12 is that what was said?

13 WITNESS DESCOTEAU: The first two items  
14 on the list of numbers are directly related to the water  
15 -- the water rates.

16 CMSR. HARRINGTON: When you say "the  
17 first two", we're talking about --

18 WITNESS DESCOTEAU: Refers to the  
19 "customer charge" and the "usage rates", --

20 CMSR. HARRINGTON: Okay.

21 WITNESS DESCOTEAU: Are part of the rate  
22 base. All the other charges, from "back" -- "test  
23 backflow preventer" down, are all not included in rate  
24 base.

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[WITNESS PANEL: Robertson~Descoteau]

1 CMSR. HARRINGTON: Okay.

2 WITNESS DESCOTEAU: They were all just  
3 other services that are nonregulated.

4 BY MS. BROWN:

5 Q. I just want to clarify, when you said "rate base", you  
6 meant "revenue requirement", correct?

7 A. (Descoteau) Revenue, yes, revenue requirement. Sorry.

8 Q. Okay. When you looked at the proposed changes to the  
9 tariff and compared it to the old tariff, did it look  
10 to you that these tariff provisions were largely the  
11 same?

12 A. (Descoteau) Yes.

13 CHAIRMAN IGNATIUS: I'm sorry. What was  
14 largely the same as what? I didn't follow the question.

15 MS. BROWN: Yes, that's not the best way  
16 of asking it. And, perhaps I should make an offer of  
17 proof. That, when Staff was taking a look at the  
18 document, there didn't seem to be wholesale changes to  
19 paragraphs. As we were going through the terms and  
20 conditions, the paragraphs were largely the same. There  
21 was in -- on Page 11 of the proposed tariff, for instance,  
22 under Paragraph 7, "Restricted Use of Water", they just  
23 simply eliminated the reference to the "flat rate",  
24 because they don't have a flat rate. They're on a

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1 volumetric -- well, they do have a fixed component to it,  
2 but they don't have a traditional flat rate. So, they  
3 eliminated language like that. But kept the essence of  
4 restricted use of water in the paragraph similar. So,  
5 that's what I was trying to get out of the testimony.  
6 It's probably easier just to explain it that way.

7 BY MS. BROWN:

8 Q. Ms. Descoteau, I want to continue questioning with you  
9 regarding rate impact. And, that's on Page 2. Did you  
10 calculate out this proposed rate?

11 A. (Descoteau) Yes, I did.

12 Q. And, how many customer classes does the Company have?

13 A. (Descoteau) Just one.

14 Q. Mr. Robinson -- or, Robertson, can I ask you a question  
15 about your customer count?

16 A. (Robertson) Yes.

17 Q. Yeah, I swore, prior to the hearing, I wasn't going to  
18 call him "Robin" -- "Mr. Robinson", but, Mr. Robertson,  
19 can you explain whether the Company will be taking on  
20 new customers?

21 A. (Robertson) Okay. We don't have any plan at the moment  
22 to take on any new customers.

23 Q. So, the customer count used in the Stipulation is going  
24 to remain the same, is that correct?

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1 A. (Robertson) There are several vacant lots. And, you  
2 know, in the current market, there's not much activity  
3 for the lots. So that, at the moment, everything is  
4 going to stay as it is right there.

5 Q. Thank you. Ms. Descoteau, do you have an opinion as to  
6 the rates, whether Staff feels they are just and  
7 reasonable?

8 A. (Descoteau) Yes. I believe they're just and  
9 reasonable.

10 Q. Mr. Robertson, could you please describe when the  
11 Company will be issuing its next bills?

12 A. (Robertson) Next bill will go out at the end of the  
13 third quarter, which is 30 September. But, as far as  
14 issuing the bills, we have a process that involves the  
15 Town of Gilford reading the meters, because they need  
16 the meter readings to charge for the use of the sewer.  
17 And, so, they give me their readings. And, I can't  
18 issue the invoices until I have their readings.  
19 Usually takes about a month for me to get the readings.  
20 So, it's very often October 30th before I would have --  
21 be able to do the invoices and send them out. So, it  
22 may be up to six weeks after the end of the quarter.

23 Q. So, for a rate increase that's effective in the  
24 Stipulation for July 1, will that be reflected in the

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1 October --

2 A. (Robertson) Yes. Yeah, that's the intent. My  
3 understanding.

4 Q. Ms. Descoteau, I'd like to ask you a question about  
5 rate case expenses. There's a provision having the  
6 Company file its rate case expenses. Can you explain  
7 briefly what Staff will do once it receives that  
8 filing?

9 A. (Descoteau) Yes. Once the filing comes in, I plan to  
10 get all of the backup for the rate case expenses, and  
11 examine, evaluate, and analyze the costs, and make sure  
12 they're reasonable and just.

13 Q. Will you be filing a recommendation with the  
14 Commission?

15 A. (Descoteau) Yes, I will.

16 Q. So, Staff is not asking for the Commission to approve  
17 today this \$9,000 estimate at this time?

18 A. (Descoteau) That's correct.

19 MS. BROWN: Okay. I think Staff and the  
20 Company are done with the panel at this point.

21 CHAIRMAN IGNATIUS: Thank you. Mr.  
22 Jordan, nothing?

23 MR. JORDAN: No. As unusual, she's done  
24 a good job.

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1 CHAIRMAN IGNATIUS: Okay. Thank you.  
2 Any questions from Commissioner Harrington?

3 CMSR. HARRINGTON: Yes. Just a couple  
4 of clarifications I had, I was trying to get a couple  
5 things straight.

6 BY CMSR. HARRINGTON:

7 Q. Ms. Descoteau, earlier you said that, on the very last  
8 page of Exhibit 2, which has got two numbers on it,  
9 "34" and "20", that those were the old rates, not the  
10 rates agreed to in the Settlement Agreement. That's  
11 correct?

12 A. (Descoteau) That's correct.

13 Q. And, by "old", you meant the ones proposed by the  
14 Company in Exhibit 1, and not the ones that are in  
15 effect right now?

16 A. (Descoteau) Those are the ones that are in effect right  
17 now.

18 Q. Okay. Well, then, I'm a little confused.

19 A. (Descoteau) Aren't they?

20 Q. On Page 2 of the Settlement Agreement, it says the rate  
21 will be -- "the resulting quarterly customer rate  
22 charge will be 41.27." And, then, on that Page 34, it  
23 says "The rate of metered service shall include a  
24 customer charge per dwelling of 42.55 per quarter",

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1 which is higher. And, then, the --

2 A. (Descoteau) It was the proposed. Sorry.

3 Q. Okay. So, it was the proposed rate.

4 A. (Descoteau) It was the proposed.

5 Q. Okay.

6 A. (Descoteau) It was the proposed rate.

7 Q. So, we're clear on that then. Okay.

8 A. (Descoteau) Yes.

9 Q. And, I had a question on the tariff itself. On Page  
10 17, which is also marked "31".

11 A. (Descoteau) Yes.

12 Q. And, it's on Section 17, and it's "Rights of Access".  
13 And, this may be boilerplate from some other ones, but  
14 it seems to me this is a little bit intrusive. If I  
15 read this correctly, that someone from the Company can  
16 show up at any time they want, without any notice, and  
17 say "I'm here to inspect plumbing fixtures", and they  
18 have to be let in. I mean, I wouldn't prefer that to  
19 be done at my house, I can tell you that. Am I missing  
20 something or is that indeed what it says? It says "Any  
21 authorized Company representative shall have the right  
22 to enter upon, and be permitted access to, the premises  
23 served at any time to inspect the plumbing, fixtures or  
24 appliances supplied with water; set, read, remove,

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1 replace or repair meters; inspect, maintain, repair or  
2 replace other utility property; and enforce these terms  
3 and conditions."

4 There's no mention of, you know, having  
5 to give somebody 24 hours notice, --

6 A. (Descoteau) Uh-huh.

7 Q. -- or not showing up during the middle of the night, or  
8 whatever.

9 A. (Descoteau) Uh-huh.

10 Q. So, I'm just curious as to why those words were put in  
11 there. Seemingly, that allows the Company to come in  
12 and say "I don't care if it's Christmas Eve. I want to  
13 inspect your plumbing. You've got to let me in." I'm  
14 not making any accusations that they would do that,  
15 please. But it just seems to me that there should be  
16 more protection for the customers in that provision.

17 A. (Descoteau) I can look into that.

18 Q. Okay. Thank you. I just had a couple more. On  
19 Exhibit 3, I'm still trying to exactly figure out what  
20 this is. I think you referred to the part that has the  
21 block on the right where there's a dollar sign that  
22 says "Impact" as the first page.

23 A. (Descoteau) Uh-huh.

24 Q. So, looking at the first page, for example, under

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1 "Customer Charge", you have "Test Year 18.58",  
2 "Proposed 41.27", "Percent of Increase 122.1". Then,  
3 if you flip the page, you have "Test Year 18.58", which  
4 is the same, but the proposed is higher now, "42.55",  
5 and the percentage increase is "129". What does one  
6 refer to and what does the other refer to? I'm a  
7 little confused.

8 A. (Descoteau) They are both worksheets that were done at  
9 different times.

10 Q. Well, which is the correct rate increase? Is it the --  
11 which one is going to go into effect? They both is a  
12 "tariff analysis". So, is this of two different  
13 tariffs or -- I'm just confused as to what the numbers  
14 represent. In the Settlement Agreement, the  
15 Stipulation Agreement, it does list "122.1" as the  
16 percent increase. So, I'm assuming that Page 1 of 2  
17 reflects the agreed upon in the Stipulation Agreement  
18 as to the new rates. And, if that's the case, what  
19 does Page 2 of 2 reflect?

20 A. (Descoteau) Neither of them actually have the agreed  
21 upon from the Stipulation Agreement.

22 Q. Okay. Then, what is the purpose of Exhibit 3? Maybe  
23 Ms. Brown can help out on this.

24 A. (Descoteau) The purpose of this was to analyze the

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1 tariff. And, I did it early on in the rate case. And,  
2 I was doing it more for analyzing all of the charges.  
3 And, when I got down towards the very end of the case,  
4 I didn't go back and update it for the final costs.

5 Q. Okay. But then you presented this --

6 A. (Descoteau) Nothing changed, nothing changed from the  
7 third line down, after I did the tariff analysis.

8 Q. Okay. This has been presented as an exhibit. I'm just  
9 trying to figure out what the exhibit is trying to  
10 show?

11 MS. BROWN: I'll jump in here. As Ms.  
12 Descoteau testified, if you disregard the percentages for  
13 the customer charge and usage rate, the rest of that  
14 analysis is to document that Ms. Descoteau looked at the  
15 proposed charges, did a sanity check against other  
16 tariffs, to make sure that the charges weren't out of line  
17 with what other water utilities were charging. And, then,  
18 she also calculated the percent increase to show where  
19 things were jumping, where charges were jumping high, she  
20 could take extra scrutiny; for instance, the 400 percent  
21 increase, the 500 percent increase. But, then, when you  
22 look at the 400 percent increase, it's going from \$5.00 to  
23 25. But, if you know going rates for disconnections --  
24 or, I'm sorry, insufficient funds charges, they're not

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1 \$5.00 anymore. So, it was an aid to her when she was  
2 looking at the rates. So, if you disregard the lack of  
3 exactness with the percent increase for the top two lines  
4 and what we finally arrived at in the Stipulation, this  
5 tariff analysis is useful.

6 CMSR. HARRINGTON: Okay. I guess  
7 I'll --

8 CHAIRMAN IGNATIUS: Before we move on, I  
9 just am lost by the explanation. If you compare, in the  
10 customer charge and the usage rate, on Page 1 of Exhibit  
11 3, those are the proposed numbers that appear in the  
12 Settlement Agreement. Unless I'm misreading this?

13 MS. BROWN: I was speaking to the  
14 usefulness of the document. And, also, Ms. Descoteau had  
15 testified that she didn't go back and change any of the --  
16 or, change the percent increases.

17 CHAIRMAN IGNATIUS: Well, apart from  
18 that, I want to know, is this a reliable document to be  
19 able to say that the percent increase in the customer  
20 charge is 122.1 percent, and the same for the usage rate  
21 that we see on Page 1 of Exhibit 3?

22 MS. BROWN: Ms. Descoteau, do you want  
23 to correct your earlier statement that you did not go back  
24 or that these top two lines do not reflect what we've

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1 agreed to in the Stipulation document on Page 2?

2 WITNESS DESCOTEAU: They do.

3 MS. BROWN: I can go back. I mean, if  
4 you want me to lead you through, I mean, as Chairman  
5 Ignatius is pointing out.

6 WITNESS DESCOTEAU: Subject to check, I  
7 do believe they agree with the Stipulation Agreement.

8 BY MS. BROWN:

9 Q. Well, let's just walk through it right now. You've got  
10 a proposed customer charge of "\$41.27" that agrees with  
11 Page 2 of the Stipulation Agreement, correct?

12 A. (Descoteau) Uh-huh.

13 Q. And, then, you have the per 100 gallon usage rate of  
14 \$1.0501, which also agrees with --

15 A. (Descoteau) Okay. It does agree with the Stipulation  
16 Agreement.

17 CHAIRMAN IGNATIUS: Thank you.

18 MS. BROWN: Okay. Thank you.

19 WITNESS DESCOTEAU: Thank you.

20 BY CMSR. HARRINGTON:

21 Q. Okay. And, this would be a question for Mr. Robertson.  
22 We received a couple of letters from some of the  
23 customers, and I just wanted to clarify a couple of  
24 issues. Can you hear me, sir?

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1 A. (Robertson) Yes. I hear you, yes.

2 Q. A couple of issues that came up in those letters.  
3 There was one from a Ms. Guyotte. And, in here she  
4 says, "Since my water rates have been the same for the  
5 past nine years", and yet earlier I thought it was  
6 stated that "there hadn't been a rate increase since  
7 1989." You think she's only lived in the house for  
8 nine years or --

9 A. (Robertson) Yes.

10 Q. Okay. So, --

11 A. (Robertson) Yes. That house, and several others, have  
12 changed hands over the 25 years that she's in.

13 Q. Okay. Thank you. Another issue that was brought up in  
14 the same letter is she talks about the "succession plan  
15 of the water company". And, I'll just read you a brief  
16 excerpt from the letter. It says, "The covenants  
17 pertaining to the water have been attached. It states  
18 the developer, Colin Robertson, intends to convey the  
19 water system to Dockham Shores Association. When and  
20 how is this going to happen? What is the plan? The  
21 Company has been in place since 1976. Roads and beach  
22 lot have already been conveyed. What is the timeline  
23 for the water?" Do you have an answer to that  
24 question?

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1 A. (Robertson) I don't have a copy of that letter in front  
2 of me, but I recall the question. The water company  
3 was offered to the Association this year, and they, at  
4 their annual meeting this year, they voted, you know,  
5 there was a motion to accept the water company, for the  
6 Association to accept the water company; and they voted  
7 it down, loudly. And, there's nobody in that  
8 Association that wants to take over that operation.  
9 So, in answer to her question, it is -- there is some  
10 confusion here. But I think -- I don't want to carry  
11 on too long about this. But, anyway, the answer is  
12 that the Association doesn't want this, the water  
13 system.

14 CMSR. HARRINGTON: Okay. I think you've  
15 answered the question very well. Thank you. And, that's  
16 all I had.

17 CHAIRMAN IGNATIUS: Commissioner Scott,  
18 questions?

19 CMSR. SCOTT: Thank you.

20 BY CMSR. SCOTT:

21 Q. I'll just note, I'll ask the question, but, regarding  
22 the "rights of access" language, that the current  
23 language, tariff language in the Stipulation Agreement,  
24 correct me if I'm wrong, is the exact same language

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1 that is in the 1996 -- excuse me, 1989 tariff, is that  
2 correct?

3 A. (Descoteau) I'll have to check on that.

4 MR. JORDAN: Commissioner, both  
5 Commissioner Harrington and Commissioner Scott, the  
6 section you're inquiring about, there's a word missing  
7 between "any" and "time". It's a typographical error.  
8 The word "reasonable" goes in there. And, the Company  
9 commits to change the tariffs supplied so as to insert  
10 "reasonable" between "any" and "time", in Section 17, the  
11 second line.

12 CMSR. HARRINGTON: Thank you.

13 CMSR. SCOTT: Thank you. And, I notice,  
14 on the older tariff, it does have the word "reasonable" in  
15 there.

16 CHAIRMAN IGNATIUS: So, can we, I guess,  
17 reserve an exhibit for an amended tariff page that would  
18 make that, include that word "reasonable"?

19 MR. JORDAN: I was planning on including  
20 it in the compliance tariff.

21 CHAIRMAN IGNATIUS: All right. That's  
22 fine.

23 CMSR. SCOTT: Thank you.

24 BY CMSR. SCOTT:

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1 Q. And, also, in the Stipulation, Page 2 and 3, Sections  
2 -- Section D talks about the "Uniform System of  
3 Accounts", and implied in there is that I assume the  
4 audit found that the Company isn't currently using the  
5 prescribed Uniform System of Accounts. Is that a true  
6 statement?

7 A. (Descoteau) It's somewhat using it.

8 Q. Okay. And, the Stipulation basically would require  
9 they come into full compliance?

10 A. (Descoteau) Correct.

11 Q. Okay. Thank you. And, on that end, are there any  
12 issues with coming into compliance? I know it's,  
13 obviously, a small company.

14 A. (Descoteau) No. There are no issues.

15 Q. So, there wouldn't be any great cost increases or  
16 anything?

17 A. (Descoteau) No. No cost issues.

18 CMSR. SCOTT: Okay. That's all I had.  
19 Thank you.

20 CHAIRMAN IGNATIUS: I don't have any  
21 questions, but I want to put something on the record. I  
22 had looked at the customer letters, but not really tracked  
23 on the names. And, Mr. Harrington, when he read it aloud,  
24 I realized I have a personal relationship with the Guyotte

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1 family. So, and I apologize I didn't realize that  
2 beforehand that the letter was from that family. So, I  
3 will not participate in any of the deliberations or  
4 decision in this case.

5 Why don't we then -- any questions on  
6 redirect, either from Mr. Jordan or Ms. Brown?

7 MR. JORDAN: Not from me, ma'am. Thank  
8 you.

9 CHAIRMAN IGNATIUS: Ms. Brown?

10 MS. BROWN: None. None from me, from  
11 Staff. Thank you.

12 CHAIRMAN IGNATIUS: Then, the two of you  
13 are excused. But why don't you stay put right now while  
14 we wrap up.

15 And, is there any objection to striking  
16 the identification on the exhibits --

17 MR. JORDAN: None.

18 CHAIRMAN IGNATIUS: -- and make them  
19 full?

20 MS. BROWN: No objection.

21 CHAIRMAN IGNATIUS: All right. Then,  
22 we'll do that.

23 The only thing left then, unless you  
24 have anything else to bring forward, would be an

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1 opportunity for brief closing statements. Ms. Brown.

2 MS. BROWN: Thank you for your time  
3 today, Commissioners. At the prehearing, Staff had stated  
4 that it would do a soup-to-nuts review of this water  
5 utility, since it hadn't been in for a while, and we  
6 indeed did that. There was a full audit of its books and  
7 records. And, although there were many finds, they have  
8 been resolved or will be resolved in the Stipulation  
9 Agreement. So, Staff thinks that, if the Stipulation  
10 Agreement is abided by, then the Company will have full  
11 compliance with any of the audit finds that arose.

12 You heard that the Company is in  
13 compliance with Department of Environmental Services'  
14 standards, and has minor capital improvements anticipated,  
15 that it will fund out of its current cash flow or expected  
16 cash flow from the rate increase.

17 The audit of the books and records was  
18 able to support Ms. Descoteau's testimony that the rate  
19 base is prudent -- or, is used and useful in the provision  
20 of service, consistent with RSA 378:28.

21 With respect to the tariff, even though  
22 Staff had taken a thorough look at it, sorry for the  
23 oversight on the lack of the word "reasonableness". What  
24 Staff proposes doing is, after the hearing, is going -- is

1 to go through one more time on this tariff to see if there  
2 are any other issues that we neglected to pick up on, such  
3 as the lack of "reasonableness". And, we'll file that  
4 recommendation with the Commission so we have a  
5 documentation of our recircling of reviewing the tariff.

6 With that, we request that the  
7 Commission approve the proposed revenue requirement. We  
8 believe that the rates that will be charged the single  
9 customer class are just and reasonable. Thank you.

10 CHAIRMAN IGNATIUS: Thank you. Mr.  
11 Jordan?

12 MR. JORDAN: As usual, she does such a  
13 good job, I have nothing further.

14 CHAIRMAN IGNATIUS: All right. Then,  
15 unless there's anything further, we will take this under  
16 advisement. As I said, I will not participate, but the  
17 other two commissioners will do so. And, with that, we're  
18 adjourned. Thank you very much.

19 **(Whereupon the hearing was adjourned at**  
20 **11:03 a.m.)**