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**STATE OF NEW HAMPSHIRE**

**PUBLIC UTILITIES COMMISSION**

**November 7, 2018 - 11:30 a.m.**  
Concord, New Hampshire

**RE: DW 17-165**  
**ABENAKI WATER COMPANY - ROSEBROOK:**  
***Request for a Change in Rates.***

**PRESENT:** Chairman Martin P. Honigberg, Presiding  
Commissioner Kathryn M. Bailey  
Commissioner Michael S. Giaimo

Sandy Deno, Clerk

**APPEARANCES:** **Reptg. Abenaki Water Company, Inc.:**  
Marcia A. Brown, Esq. (NH Brown Law)

**Reptg. Omni Mount Washington, LLC:**  
Thomas B. Getz, Esq. (McLane...)

**Reptg. Bretton Woods Property Owners Association:**  
Paul Mueller

**Reptg. Residential Ratepayers:**  
D. Maurice Kreis, Esq., Consumer Adv.  
Brian D. Buckley, Esq.  
Pradip Chattopadhyay, Asst. Cons. Adv.  
Office of Consumer Advocate

**Reptg. PUC Staff:**  
Christopher Tuomala, Esq.  
F. Anne Ross, Esq.  
Stephen Frink, Dir./Gas & Water Div.  
Jayson Laflamme, Asst. Dir/Gas & Water  
Robyn Descoteau, Gas & Water Division

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

**CERTIFIED ORIGINAL TRANSCRIPT**

**I N D E X**

**PAGE NO.**

**OFFICIAL NOTICE TAKEN** of the 9  
the transcript of the hearing  
held on November 7, 2018  
regarding DW 17-118

\* \* \*

**WITNESS PANEL:**           **PAULINE DOUCETTE**  
                                  **STEPHEN P. ST. CYR**  
                                  **PRADIP CHATTOPADHYAY**  
                                  **STEPHEN P. FRINK**  
                                  **ROBYN J. DESCOTEAU**

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

1  
2 CHAIRMAN HONIGBERG: We are here in  
3 Docket DW 17-165, which is Abenaki Water  
4 Company's rate case for the Rosebrook water  
5 system. This is a hearing on the merits, I  
6 believe, and there is a settlement that's been  
7 filed.

8 Before we do anything else, let's  
9 take appearances.

10 MS. BROWN: Good morning,  
11 Commissioners. Marcia Brown, representing the  
12 Abenaki-Rosebrook Water Company. And with me  
13 today is Don Vaughan, who is the President of  
14 New England Service Company; also up at the  
15 witness box is Pauline Doucette, who is  
16 President of Rosebrook; and Stephen P. St. Cyr,  
17 who is head of Stephen P. St. Cyr & Associates.

18 Thank you.

19 MR. GETZ: Good morning, Mr.  
20 Chairman, Commissioners. I'm Tom Getz, from  
21 the law firm of McLane Middleton, here on  
22 behalf of Omni Mount Washington Hotel. And  
23 with me from Omni today is Chris Ellms.

24 MR. MUELLER: Good morning. I'm Bob

1 Mueller, representing the Bretton Woods  
2 Property Owners Association.

3 MR. KREIS: Good morning. I'm D.  
4 Maurice Kreis, the Consumer Advocate, here on  
5 behalf of the residential customers of this  
6 utility. The gentleman to my left is our staff  
7 attorney, the distinguished Brian Buckley. And  
8 the distinguished gentleman in the witness box  
9 is the Assistant Consumer Advocate, Dr. Pradip  
10 Chattopadhyay.

11 MR. TUOMALA: Good morning,  
12 Commissioners. Christopher Tuomala, for Staff  
13 of the Public Utilities Commission. With me,  
14 to my left, is co-chair Anne Ross; and Jayson  
15 Laflamme, the Assistant Director of the Gas &  
16 Water Division. In the witness box, we have  
17 Utility Analyst Robyn Descoteau, also of the  
18 Gas & Water Division; and the Director of the  
19 Gas & Water Division, Stephen Frink.

20 CHAIRMAN HONIGBERG: All right. How  
21 are we proceeding this morning? Ms. Brown?  
22 Mr. Tuomala? Which one of you wants to cue it  
23 up?

24 MR. TUOMALA: I wanted to remind the

1 Commission about a possible preliminary matter.  
2 You had mentioned in the previous hearing about  
3 administrative notice, and the Staff does not  
4 object.

5 CHAIRMAN HONIGBERG: All right. What  
6 Mr. Tuomala is referring to is that one of the  
7 issues in this Settlement shares a lot of  
8 common issues or common facts with an issue  
9 that we just dealt with in a hearing earlier  
10 this morning. And we would like to take  
11 official notice of the transcript in that  
12 proceeding on the issue of the rate -- the  
13 return on equity settlement that was discussed  
14 there.

15 I think the rules require us to find  
16 out if anyone has an objection to that, and  
17 Mr. Tuomala has indicated that Staff does not.

18 Ms. Brown? Others?

19 MS. BROWN: The Company purposefully,  
20 knowing that the Hampstead Area Water Company  
21 rate case was going to take up the similar  
22 issue on ROE as Abenaki would be, Don Vaughan  
23 sat in on that hearing. So, we have full  
24 knowledge of the transcript and have no

1 objection to the Commission taking  
2 administrative notice of it.

3 CHAIRMAN HONIGBERG: Mr. Getz.

4 MR. GETZ: Thank you, Mr. Chairman.  
5 Omni doesn't have any objection to not walking  
6 through the Settlement Agreement page-by-page,  
7 attachment-by-attachment. And I take it what  
8 you're most concerned about is shortening the  
9 direct testimony from the panel. So, to the  
10 extent that the panel can do some summary, I  
11 understand there's a new attachment or a new  
12 exhibit that Staff has put together that I have  
13 not seen, I assume that they would distribute  
14 that and explain it as part of the direct.

15 CHAIRMAN HONIGBERG: Yes. I don't  
16 think that that new -- I mean, not without  
17 knowing specifically what's in that new  
18 exhibit, I don't think that they'd be able to  
19 skip over that. They're going to have to do  
20 that.

21 MR. GETZ: Okay.

22 CHAIRMAN HONIGBERG: There was  
23 testimony in the earlier hearing that talked  
24 about the negotiations among the companies and

1 Staff and the OCA, and I'm not sure who else  
2 may have been involved, about -- that was part  
3 of a generic return docket that arrived at an  
4 agreed approach. That approach produced a  
5 number, and three of the five panelists who are  
6 up there provided testimony in the earlier  
7 hearing about that process.

8 I think you heard me say, Mr. Getz,  
9 because you were in the room, you're not going  
10 to benefit greatly from hearing that. But, if  
11 you have questions about the process, or,  
12 Mr. Mueller, if you have questions about the  
13 process, you'll be able to ask them if there is  
14 something unclear. They're going to clearly  
15 have to get us to a point. But we'll be able  
16 to skip over large chunks of what they did in  
17 the earlier hearing if we take official notice  
18 of it.

19 MR. GETZ: And we have no objection  
20 to that. And I'll just say that there's a very  
21 different posture in this case from the  
22 previous case in that there's not a  
23 settlement -- not a full settlement. There are  
24 three parties to the Settlement here and four

1 parties opposed.

2 CHAIRMAN HONIGBERG: True. Mr.  
3 Mueller, do you have any objection to taking  
4 official notice of the transcript from the  
5 earlier proceeding?

6 MR. MUELLER: No objection.

7 CHAIRMAN HONIGBERG: Mr. Kreis?

8 MR. KREIS: No objection.

9 CHAIRMAN HONIGBERG: All right. So,  
10 we will do that.

11 *(Official notice taken of the*  
12 *transcript of the hearing held*  
13 *on November 7, 2018 regarding DW*  
14 *17-118.)*

15 CHAIRMAN HONIGBERG: What other  
16 preliminary matters do we need to deal with?

17 MR. TUOMALA: None.

18 CHAIRMAN HONIGBERG: Ms. Brown?

19 MS. BROWN: As you see, we have  
20 impaneled a panel to sponsor the Settlement  
21 Agreement. By agreement of the parties,  
22 actually, I just realized I don't have  
23 agreement on some of the intervenors on the  
24 proposed exhibit list that you have in front of

1           you. For completeness of the record, we would  
2           like to premark for identification the  
3           Testimony of Don Vaughan as "Exhibit 2";  
4           Pauline Doucette as "Exhibit 3"; Stephen P. St.  
5           Cyr's testimony, both direct and temporary, as  
6           "Exhibits 4" and "5"; and then also get into  
7           the record the ROE experts, Pauline Ahern as  
8           "Exhibit 6" and Randall Woolridge as "Exhibit  
9           7"; and then also include Staff's testimony of  
10          Robyn Descoteau, as "Exhibit 8"; and the  
11          Settlement Agreement as "Exhibit 9".

12                        And I believe Staff has an amendment  
13           to that list.

14                        CHAIRMAN HONIGBERG: Mr. Tuomala.

15                        MR. TUOMALA: Yes. Staff does. We'd  
16           like to offer for "Exhibit 10" what we would  
17           consider "Attachment A", and that's regarding  
18           the ROE explanation.

19                        CHAIRMAN HONIGBERG: Okay. So, those  
20           are marked, and we'll deal with them as they  
21           come up.

22                                        (The documents, as described,  
23                                        were herewith marked as

24                                        **Exhibit 2 through Exhibit 10,**

1                   respectively, for  
2                   identification.)

3                   CHAIRMAN HONIGBERG: Anything else  
4 before we have the witnesses sworn in?

5                   *[No verbal response.]*

6                   CHAIRMAN HONIGBERG: Mr. Patnaude.  
7                   (Whereupon **Pauline Doucette,**  
8                   **Stephen P. St. Cyr, Pradip**  
9                   **Chattopadhyay, Stephen P. Frink,**  
10                  and **Robyn J. Descoteau** were duly  
11                  sworn by the Court Reporter.)

12                  CHAIRMAN HONIGBERG: Mr. Tuomala.

13                  MR. TUOMALA: Mr. Chairman, thank  
14 you. Before us, as you noted, we have a global  
15 Settlement Agreement by three of the parties;  
16 the OCA, Abenaki, and Staff. And we feel that  
17 it resolves all of the issues in the docket  
18 before it.

19                  I would like to begin by calling my  
20 first witness, Robyn Descoteau.

21                  **PAULINE DOUCETTE, SWORN**

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

23                  **PRADIP CHATTOPADHYAY, SWORN**

24                  **STEPHEN P. FRINK, SWORN**

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**ROBYN J. DESCOTEAU, SWORN**

**DIRECT EXAMINATION**

BY MR. TUOMALA:

Q Ms. Descoteau, could you state your name for the record.

A (Descoteau) My name is Robyn J. Descoteau.

Q And where do you work, Ms. Descoteau?

A (Descoteau) I am employed by the New Hampshire Public Utilities Commission. And my business address is 21 South Fruit Street, Suite 10, Concord, New Hampshire.

Q Okay. And could you please describe your involvement with this docket.

A (Descoteau) I read through, reviewed and tested the integrity of the filing. I traced the filing to the PUC Annual Reports on file at the Commission. I asked several rounds of discovery questions on the filing and reviewed those responses. I participated in the settlement discussions and prepared the revenue requirement schedules for the Settlement Agreement.

Q Are you aware of any corrections or changes that ought to be made to the Settlement

1 Agreement or its schedules?

2 A (Descoteau) Yes. There is one change that  
3 should be made to the Settlement Agreement. If  
4 everybody could turn to Page 9 of the  
5 Settlement Agreement.

6 CHAIRMAN HONIGBERG: Is that Bates  
7 Page 009 or --

8 WITNESS DESCOTEAU: Yes. Bates Page  
9 009 please.

10 **CONTINUED BY THE WITNESS:**

11 A (Descoteau) On Item Number 2, if you could  
12 strike "6.28", and change it to "6.30". And  
13 that's "per 100 cubic feet", instead of "per  
14 month". And if you could strike "0.95", and  
15 enter "0.97". If you could strike "17.82", and  
16 enter "18.20". And the very last word of that  
17 paragraph, the "per month" should be "per  
18 100 cubic feet". So, Paragraph Number 2 should  
19 read: "The proposed new consumption" -- excuse  
20 me -- "The proposed new consumption rate per  
21 100 cubic feet of water is 6.30 per 100 cubic  
22 feet which is a 97 cents or 18.20 percent  
23 increase from the present volumetric rate of  
24 \$5.33 per month" -- I mean, excuse me, "per

1 100 cubic feet."

2 CHAIRMAN HONIGBERG: Mr. Tuomala,  
3 before you ask your next question, I just want  
4 to circle back to an issue that's raised in the  
5 cover letter that accompanied the Settlement  
6 among the three who signed off on it. As it  
7 notes that the document was not filed five days  
8 before the hearing.

9 I want to find out and confirm that  
10 there's no objection to proceeding today by  
11 either of the intervenors. Mr. Getz?

12 MR. GETZ: No objection.

13 CHAIRMAN HONIGBERG: Mr. Mueller?

14 MR. MUELLER: No objection.

15 CHAIRMAN HONIGBERG: All right.

16 Thank you.

17 Mr. Tuomala, you may proceed.

18 BY MR. TUOMALA:

19 Q Ms. Descoteau, are there any other changes that  
20 you wanted to make the Commission aware of?

21 A (Descoteau) Yes. On that same page, Bates Page  
22 009, towards the very end of that Number 4,  
23 "278.76" should be stricken, and it should be  
24 replaced with "\$279.12"; "76.08" should be

1 replaced with "76.44"; and "6.34" should be  
2 replaced with "6.37". So, the paragraph should  
3 read: "For a hypothetical average residential  
4 customer using 15.72 hundred cubic feet of  
5 water annually, with a 5/8" or 3/4" meter,  
6 their average annual bill will increase from  
7 \$202.68 to \$279.12, or a \$76.44 [or] (\$6.37 per  
8 month)."

9 Q There are no further corrections to be made?

10 A (Descoteau) Not that I know of.

11 Q Thank you. Could you please summarize the  
12 difference between the revenue requirement  
13 proposed by the Company in their rate filing  
14 and the Settlement Agreement revenue  
15 requirement.

16 A (Descoteau) The revenue requirement detailed in  
17 the Settlement Agreement is lower than that  
18 requested by Abenaki in their filing. The  
19 Company requested an increase of 37.85 percent  
20 with a step of 6.08 percent. The total  
21 increase agreed upon in the Settlement  
22 Agreement is 32.48 percent. In the course of  
23 arriving at a settlement agreement, the  
24 Settling Parties agreed upon a *pro forma*

1 capital structure for Abenaki and a new  
2 methodology to calculate Abenaki's rate of  
3 return. Additionally, 21 adjustments were made  
4 to rate base, six adjustments were made to  
5 operating income, and adjustments were made to  
6 reflect recent federal and state tax changes.

7 The Settlement Agreement allows for the  
8 initial rate adjustment to be inclusive of a  
9 step adjustment for 2017 additions and related  
10 expenses. It also allows for a subsequent  
11 adjustment related to an engineering study to  
12 be completed by September 30th, 2019.

13 Q Do you agree the Settlement Agreement  
14 represents a compromise of the Settling  
15 Parties' positions?

16 A (Descoteau) Yes, it does.

17 Q What is the increase in annual revenues as  
18 recommended by the Settlement Agreement?

19 A (Descoteau) The Settlement Agreement recommends  
20 an initial annual revenue requirement for  
21 Rosebrook of \$356,114. This represents an  
22 increase of \$79,779 or 28.87 percent over  
23 Rosebrook's *pro forma* test year revenues of  
24 \$276,335. The initial revenue increase

1 consists of a 64,736, or 23.43 percent,  
2 permanent rate increase based on a *pro forma*  
3 test year ended September 30th, 2017, and a  
4 \$15,043, or 5.44 percent, initial step  
5 adjustment based on certain plant additions  
6 placed in service subsequent to the *pro forma*  
7 test year.

8 Q Does the Settlement Agreement include schedules  
9 showing how the revenue requirements were  
10 calculated?

11 A (Descoteau) Yes, it does. The calculation of  
12 the proposed permanent revenue requirement is  
13 detailed in Attachment A, Schedules 1 through  
14 6. The calculation of the proposed initial  
15 step adjustment is detailed in Attachment B,  
16 Schedules 1 through 4. The calculation of a  
17 proposed second step adjustment is detailed in  
18 Attachment C, Schedules 1 through 4.

19 Q Could you please explain the impact the rate  
20 increase will have on the monthly bill of an  
21 average residential customer?

22 A (Descoteau) An average residential customer  
23 using 15.72 hundred cubic feet of water  
24 annually will see their average annual invoice

1           increase from \$202.68 to \$279.12, which is an  
2           increase of \$76.44 a year, or \$6.37 a month.

3   Q       And do you believe that the revenue requirement  
4           provides just and reasonable rates?

5   A       (Descoteau) Yes, I do.

6                       CHAIRMAN HONIGBERG: Ms. Brown.

7                       MS. BROWN: If I just could follow up  
8           with Ms. Descoteau, just on a couple of things.

9   BY MS. BROWN:

10   Q       Ms. Descoteau, you had corrected the  
11           hypothetical average customer increase to  
12           having a \$6.37 ccf charge, is that right,  
13           rather than \$6.34?

14   A       (Descoteau) Can you repeat that again?

15   Q       I just want to correct, because I think just  
16           now you had mentioned that the charge of \$6.34  
17           per ccf was what customers would charge. But I  
18           believe you have corrected that to be \$6.37?

19   A       (Descoteau) \$6.30.

20                       CHAIRMAN HONIGBERG: You're looking  
21           at two different lines. There's a "6.28" on  
22           the fourth line of Page 009, and then there is  
23           a "6.34" in the middle of the page. I believe  
24           you corrected the "6.34" in the middle of the

1 page to "6.37"?

2 WITNESS DESCOTEAU: That's correct.

3 CHAIRMAN HONIGBERG: And the "6.28"  
4 on the fourth line went to "6.30"?

5 WITNESS DESCOTEAU: Correct.

6 BY MS. BROWN:

7 Q Okay. I just want to make sure that when  
8 you -- I thought you had incorrectly referenced  
9 "6.34", and I was just correcting the record  
10 thinking you intended to say "6.37", if you  
11 said "6.34"?

12 A (Descoteau) No. If you look at Attachment B,  
13 Schedule 4, which is on Page 32, Bates Page  
14 032. In the middle of the page, you can see  
15 that the consumption rate per customer is  
16 \$6.30. And I stand corrected, that it's "per  
17 thousand gallons", not "per hundred cubic  
18 feet".

19 Q Okay.

20 CHAIRMAN HONIGBERG: So that sentence  
21 in Paragraph 2 now has more problems.

22 WITNESS DESCOTEAU: Yes, it does. It  
23 should be, instead of "hundred cubic feet", it  
24 should be "per thousand gallons".

1 CHAIRMAN HONIGBERG: So, we need to  
2 strike the words "per 100 cubic feet (ccf)" --

3 WITNESS DESCOTEAU: Yes.

4 CHAIRMAN HONIGBERG: -- "of water".  
5 So, it would say "The proposed new consumption  
6 rate...is \$6.30 per thousand gallons"?

7 WITNESS DESCOTEAU: "Thousand  
8 gallons".

9 MS. BROWN: Thank you. I started out  
10 correcting one thing, I'm glad we could get to  
11 more corrections.

12 CHAIRMAN HONIGBERG: Who knows, we  
13 may not be done yet.

14 BY MS. BROWN:

15 Q Ms. Descoteau, when you said that the "Step 1  
16 included 2017 plant additions", you meant "2018  
17 plant additions", is that correct?

18 A (Descoteau) 2000 -- it goes -- the additions  
19 are from October 1st, 2017 through  
20 September 30th, 2018.

21 Q Okay. Thank you for that clarification.

22 If I could just qualify the witnesses.  
23 Mr. St. Cyr, if you could please state your  
24 name and company for the record.

1 A (St. Cyr) My name is Stephen P. St. Cyr, and I  
2 work for St. Cyr & Associates.

3 Q And please describe for the record your area of  
4 expertise.

5 A (St. Cyr) The area of expertise is accounting,  
6 tax, finance, and management.

7 Q And is your testimony today within that area of  
8 expertise?

9 A (St. Cyr) Yes.

10 Q And can you please briefly describe your  
11 involvement with this docket?

12 A (St. Cyr) Yes. With the assistance of the  
13 Company's personnel, I would have prepared the  
14 initial rate schedules, of course, my own  
15 testimony, and then provided some oversight in  
16 the other testimony and the filing as a whole.  
17 And I would have assisted the Company in  
18 responding to data requests, participated in  
19 technical sessions and settlement conferences,  
20 and here before the Commission representing the  
21 Company on their behalf.

22 Q Okay. And your testimonies have been marked  
23 for identification as "Exhibits 4" and "5", is  
24 that correct?

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

2 Q And you assisted in some of the schedules that  
3 would be attached to Mr. Vaughan's testimony,  
4 Exhibit 2?

5 A (St. Cyr) Yes.

6 Q Okay. And did you participate in the drafting  
7 of the Settlement Agreement and attachments?

8 A (St. Cyr) Yes.

9 Q And are you aware of any other additional  
10 corrections or changes that need to be made to  
11 either your testimony, direct, temporary rate  
12 testimony, and the Settlement Agreement?

13 A (St. Cyr) No.

14 Q Ms. Doucette, if I could have you state your  
15 name and position with the Company for the  
16 record.

17 A (Doucette) Sure. It's Pauline Doucette,  
18 President, Abenaki Water.

19 Q And what is your responsibilities with respect  
20 to Abenaki and Rosebrook?

21 A (Doucette) To oversee the operations and to  
22 manage the Companies.

23 Q And did you say "Company" or "Companies"?

24 A (Doucette) Companies.

[Doucette|St. Cyr|Chattopadhyay|Frink|Descoteau]

1 Q Okay. Thank you. And can you please describe  
2 your area of expertise?

3 A (Doucette) Sure. I have a Bachelor's degree in  
4 Accounting, and experience with customer  
5 service and finance.

6 Q Okay. And your testimony today will be within  
7 that area of expertise, is that correct?

8 A (Doucette) Yes.

9 Q And please describe your involvement in this  
10 docket.

11 A (Doucette) So, my involvement with the docket  
12 is to run rate schedules, provide testimony,  
13 and assist with determining revenue  
14 deficiencies.

15 Q And did part of that work involve preparing  
16 what's been marked for identification as your  
17 direct testimony, Exhibit 3?

18 A (Doucette) Yes.

19 Q Okay. And do you have any changes or  
20 corrections to make to that testimony today?

21 A (Doucette) No.

22 Q And are you familiar with the Settlement  
23 Agreement and schedules?

24 A (Doucette) Yes.

[Doucette|St. Cyr|Chattopadhyay|Frink|Descoteau]

1 Q And has the Company been involved with any  
2 audit of its books and records?

3 A (Doucette) Yes. With the PUC, for the rate  
4 case, and I worked with them to provide data  
5 request responses to the audit.

6 Q Okay. I forget if I asked you if you are  
7 familiar with the terms of the Settlement  
8 Agreement?

9 A (Doucette) Yes.

10 Q Okay. And, Mr. St. Cyr, if I could just go  
11 back to you. You've heard Ms. Descoteau  
12 summarize the revenue requirement calculations.  
13 Do you have anything else to add to that  
14 description?

15 A (St. Cyr) No.

16 Q And with respect to the Step 1 plant additions  
17 that Ms. Descoteau described, do you have an  
18 opinion as to the used and usefulness of those  
19 plant additions?

20 A (St. Cyr) They are, in fact, used and useful.

21 Q Okay. And with respect to the Settlement  
22 Agreement and Attachment B, the step increase,  
23 do you have any other explanations to add that  
24 haven't been put into the record yet?

1 A (St. Cyr) No.

2 MS. BROWN: We're trying to hurry  
3 this proceeding along.

4 CHAIRMAN HONIGBERG: No. You're  
5 good.

6 BY MS. BROWN:

7 Q Ms. Descoteau, did you already opine on Staff's  
8 opinion on the used and usefulness of the plant  
9 in rate base and in the Step 1?

10 A (Descoteau) We agree that they're used and  
11 useful.

12 Q Thank you. Mr. St. Cyr, with respect to the  
13 adjustments that are described fully in the  
14 Settlement document, which is Exhibit 9, and  
15 Ms. Descoteau's summary of the adjustments, do  
16 you have an opinion as to the known and  
17 measurableness nature of those adjustments?

18 A (St. Cyr) They are, in fact, known and  
19 measurable.

20 Q And a question for Ms. Descoteau. Did you  
21 already state that the financials were audited  
22 by Staff?

23 A (Descoteau) The financials were audited by  
24 Commission Staff.

1 Q And I should probably clarify that. That's  
2 with respect to the revenue requirement, not  
3 the step, is that correct?

4 A (Descoteau) That is correct. The permanent  
5 portion, which are Attachment A, have been  
6 fully audited by Commission's Audit Staff. The  
7 step adjustment, which is Attachment B, are in  
8 the process of being audited at this point, and  
9 the audit report is expected any time now.

10 Q And when you say "audit is expected", that's on  
11 the Step 1?

12 A (Descoteau) That is on Step 1.

13 Q Okay. All right. Thank you.

14 MS. BROWN: I was going to go into  
15 Step 2. But I would just ask Staff on  
16 efficiency of our direct, were you going to  
17 cover Step 2 or shall I proceed with that right  
18 now?

19 MS. ROSS: I think we will have OCA  
20 start with the Step 2, which is the ROE  
21 adjustment, as well as the capital adjustment.

22 MS. BROWN: Step 2 -- sorry to have  
23 this dialogue right now, but trying to  
24 coordinate. Step 2 is the Horizons report.

1 MS. ROSS: Oh, excuse me. I  
2 apologize. It's the step in the other docket,  
3 I'm conflating my dockets.

4 Yes. You can go ahead and cover  
5 that, but we will end up having to speak on it,  
6 too.

7 MS. BROWN: Okay. All right.

8 MS. ROSS: So, go ahead.

9 MS. BROWN: Sorry for that delay, but  
10 thank you.

11 BY MS. BROWN:

12 Q Mr. St. Cyr, if I could just have you explain  
13 the Step 2, what it entails?

14 A (St. Cyr) So, Step 2 entails an agreement  
15 between the Company and Horizons Engineering.  
16 It's identified as "Attachment D" to the  
17 Settlement Agreement, and is shown on Pages 37  
18 through 44. The agreement itself identifies  
19 the project understanding, the scope of  
20 services, the time line, and the fees  
21 associated with it. The Step 2 related to that  
22 is up to \$100,000. And the timing is such that  
23 the Company expects to enact on that agreement  
24 in 2019, in hopes of having it done probably

1 mid-year, but no later than September 30, 2019,  
2 and then has the opportunity to come back  
3 before the Commission and seek recovery of that  
4 \$100,000.

5 Q Will the Step 2 also be incorporated in a  
6 financing filing?

7 A (St. Cyr) Yes. The Company expects that  
8 probably in early 2019 that it will make a  
9 financing filing for the total cost of the  
10 project, and that those costs would include the  
11 100,000 associated with the design and  
12 engineering.

13 Q Thank you for that explanation. Ms. Doucette,  
14 I have a question about the term of the  
15 Settlement Agreement concerning reconciliation  
16 of temporary and permanent rates.

17 A (Doucette) Uh-huh.

18 Q And can you, from a billing perspective,  
19 explain how that will be done by the Company?

20 A (Doucette) The reconciliation between temporary  
21 and permanent rates will be compared to the  
22 actual revenue received to the permanent rates,  
23 and we will come up with a difference and  
24 propose a surcharge. The term of the surcharge

1 will be determined once we can determine what  
2 the recovery is needed.

3 Q And does recovery or the reconciliation involve  
4 the Step 1?

5 A (Doucette) It excludes Step 1.

6 Q Thank you. And with the rate proposed to --  
7 or, the permanent rate proposed to be effective  
8 January 1, 2019, how does that comport with  
9 your billing cycle?

10 A (Doucette) We bill effective at the end of the  
11 month on the first of the following month.

12 Q Ms. Doucette, a question to you about rate  
13 design. The Company has agreed to conduct a  
14 cost of service study in the future under the  
15 terms of this Agreement. And can you please  
16 explain why the Company is agreeing to the cost  
17 of service study?

18 A (Doucette) Sure. Because we had questions as  
19 to the percentage used for the rate groups, the  
20 larger meters require additional servicing.  
21 So, the cost of study [sic] will give  
22 additional detail on a cost of service to the  
23 individual rate groups. And this will be  
24 important because capital -- of capital

1 improvements, and we want to ensure costs are  
2 apportioned correctly.

3 Q Okay. Thank you. And what is the timing of  
4 the cost of service study and/or a future rate  
5 case, if you could explain that to the  
6 Commissioners?

7 A (Doucette) The cost of study [sic] will be done  
8 in conjunction with future rate cases.

9 Q Do you have an expected time as to when that  
10 future rate case may be?

11 A (Doucette) I do not.

12 Q Mr. St. Cyr, a question for you, since you  
13 handle a lot of the accounting. Do you have an  
14 estimate of when the next rate case might be  
15 for this company?

16 A (St. Cyr) So, the expectation would be that the  
17 engineering design for the pressure reduction  
18 project would take place in 2019. With that  
19 timeline, the expectation is that construction  
20 would begin shortly after that. The thought is  
21 that the construction is likely to be in  
22 phases, maybe three phases. The first phase  
23 would probably be constructed either late 2019  
24 or early 2020. And then, upon completion of

1 the first phase, the Company would begin to  
2 seek recovery of that investment.

3 MS. BROWN: Okay. Those are all the  
4 questions I had on the revenue requirement and  
5 step. Thank you.

6 CHAIRMAN HONIGBERG: Mr. Kreis.

7 MR. KREIS: Thank you. I'm sorry,  
8 Ms. Ross, did you --

9 MS. ROSS: Well, I'm trying to decide  
10 when it makes the most sense. I have two areas  
11 of questioning for Mr. Frink. I can -- why  
12 don't I hold both of them, and we'll go ahead  
13 with OCA on ROE. I'm going to have to come  
14 back to the engineering, to Step 2 to the  
15 engineering study, but we'll do that after OCA  
16 does the ROE issues.

17 CHAIRMAN HONIGBERG: Mr. Kreis.

18 MR. KREIS: Thank you, Mr. Chairman.  
19 And let me start by clarifying an  
20 administrative oversight that matters perhaps  
21 only to me. But my signature does not actually  
22 appear on the Settlement Agreement.

23 CHAIRMAN HONIGBERG: Yes, I was going  
24 to ask about that. Your signature isn't on

1 here, and I think there's only one signature on  
2 the copy that we have.

3 MR. KREIS: So, speaking only about  
4 my --

5 CHAIRMAN HONIGBERG: Oh, there's two.  
6 You're right, there's two.

7 MR. KREIS: So, with respect to my  
8 missing signature, that is an administrative  
9 oversight. The OCA does consider itself a  
10 signatory to the Settlement Agreement. And the  
11 Commission should review the Settlement  
12 Agreement with the understanding that the OCA  
13 is, in fact, a signatory on this.

14 CHAIRMAN HONIGBERG: Fair enough.

15 MR. KREIS: Okay. Now, I am going to  
16 skip the preliminaries with Dr. Chattopadhyay  
17 on the assumption that you will take  
18 administrative notice of them from the previous  
19 hearing, and I will go right to the heart of  
20 things.

21 BY MR. KREIS:

22 Q Dr. Chattopadhyay, I would like you to take a  
23 look at the second page of what has been marked  
24 as "Exhibit Number 10". Do you have that in

1 front of you?

2 A (Chattopadhyay) Yup.

3 Q And would you agree with me that that page is  
4 Staff's analysis of the three different  
5 weighted average cost of capital scenarios that  
6 are relevant to the Settlement?

7 A (Chattopadhyay) That is correct.

8 Q And do you agree with the analysis that Staff  
9 has put forward on that page?

10 A (Chattopadhyay) I haven't looked at the numbers  
11 in the worksheet necessarily. But, subject to  
12 check, they look correct.

13 Q Fair enough. And would you agree with me that  
14 towards the middle or maybe about two-thirds of  
15 the way down the page you see that the Staff  
16 testimony that was prefiled in this case, and  
17 has been marked as "Exhibit Number 7",  
18 recommended a return on equity of  
19 "9.01 percent"?

20 A (Chattopadhyay) That is correct.

21 Q So that is somewhat less than the Settlement  
22 figure of 9.95 percent?

23 A (Chattopadhyay) That is correct.

24 Q And would it be fair to say that you agree that

1 9.95 is reasonable, notwithstanding Staff's  
2 recommendation of 9.01?

3 A (Chattopadhyay) That is correct.

4 Q And would it also be fair to say that you are  
5 more inclined than Staff's witness,  
6 Dr. Woolridge, to rely on future projections of  
7 growth for purposes of using the discounted  
8 cash flow formula than Dr. Woolridge does, and  
9 that might account for some of the larger ROE  
10 figure that we've agreed upon?

11 A (Chattopadhyay) That is correct.

12 Q And would you also agree that your analysis  
13 would depend on a somewhat different proxy  
14 group than the one Dr. Woolridge used?

15 A (Chattopadhyay) In the sense that I talked  
16 about the merger factor, and then taking out  
17 the California companies, both of us end up  
18 with the same groups of companies.

19 Q But it's important to you, in your analysis and  
20 your expert testimony, that the proxy group not  
21 include California companies and not include  
22 companies that are in the middle of mergers?

23 A (Chattopadhyay) Correct.

24 Q You also -- well, have the realities of

1 financial markets changed somewhat since

2 Dr. Woolridge filed his testimony?

3 A (Chattopadhyay) Yes, they have.

4 Q And how does that bear on the just and

5 reasonableness of the settled upon ROE of 9.95?

6 A (Chattopadhyay) I will go through my DCF

7 analysis based on the Value Line data that

8 comes from October 2018, rather than going back

9 to the data that Ms. Ahern used, which was from

10 October 2017. So, what that does, given that

11 my -- given my preference for using

12 forward-looking expectations, I have relied on

13 different proxy groups; one of them that simply

14 takes out the companies that are in merger

15 discussions and the other one, along with that.

16 I'm also taking out the California companies.

17 So, those two are the groups that I took a look

18 at.

19 But then I also took guidance from the PUC

20 rules, as well as looked at what Dr. Woolridge

21 did, which is he had one approach where he had

22 50 weightage for DPS/50 percent weightage for

23 EPS.

24 And finally, I also looked at Ms. Ahern's

1 approach, which is totally based on 100 percent  
2 EPS.

3 And what turns out is this, and I'm trying  
4 to summarize them: For Dr. Woolridge's  
5 approach, the return for the first group, which  
6 is just without the merger-impacted companies,  
7 it's 10.33; for the one that also takes out the  
8 California companies, it's 10.81. With respect  
9 to the Puc rule, same contrast, the first  
10 number is 10.2 percent and the second one is  
11 10.6 percent.

12 Q And by "PUC rule", you mean Rule Puc 610.03?

13 A (Chattopadhyay) Correct.

14 Q Which is a generic return on equity formula?

15 A (Chattopadhyay) Right. And as far as  
16 Ms. Ahern's approach is concerned, I end up  
17 getting, without just the merger-impacted  
18 companies, 10.7. And when I take out  
19 California on top of that, it's 11.2 percent.

20 Q So, all of those numbers that you just offered,  
21 from a ratepayer perspective, suggests that  
22 9.95 compares favorably to those figures?

23 A (Chattopadhyay) Yes. But it was also important  
24 for me to take a look at the imputed returns.

1 Q And I was about to get to that.

2 A (Chattopadhyay) And then, so even with that  
3 look suggests that we have a reasonable  
4 situation.

5 Q Right. So -- and I was going to move to that  
6 right now. So, if you look again at Page 2 of  
7 Exhibit Number 10, you see, at the bottom of  
8 the page, there is an imputed ROE figure of  
9 10.89. And could you very briefly explain to  
10 the Commission how we got from a Settlement ROE  
11 of 9.95 percent to an imputed ROE of  
12 10.89 percent?

13 A (Chattopadhyay) Yes. The 9.95, I will speak  
14 generally, is being employed on a hypothetical  
15 capital structure. And the hypothetical  
16 capital structure has 60 equity and 40 debt.  
17 In terms of what the actual capital structure  
18 is, it's more in the nature of 50/50. And what  
19 I was interested in knowing, with the  
20 hypothetical structure, when you plug in 9.95,  
21 if you were simply looking at the actual  
22 capital structure, what return on equity is the  
23 Company getting? And the answer, 10.89, is  
24 derived on the second page of Exhibit 10.

1 Q And so, that figure, 10.89, is something that  
2 is apparently generally in the same ballpark as  
3 the figures that you were reciting for the  
4 Commission earlier?

5 A (Chattopadhyay) Yes. And also, given that this  
6 is the second one, where we've made some  
7 compromises, so that was -- to me, that looked  
8 very reasonable.

9 Q And you would agree with me that this  
10 requirement of just and reasonable rates leads  
11 to a sort of "zone of reasonableness" standard  
12 for return on equity with respect to the  
13 Commission's ultimate review?

14 A (Chattopadhyay) That is correct.

15 MR. KREIS: Mr. Chairman, I think  
16 those are all the questions I have for  
17 Dr. Chattopadhyay on the subject of return on  
18 equity. I do need to ask him, and perhaps  
19 others on the panel, some questions about rate  
20 design. I'm happy to do that now or I'm happy  
21 to wait until that would make more logical  
22 sense, depending on what you all would like.

23 CHAIRMAN HONIGBERG: Ms. Ross.

24 MS. ROSS: Why don't I do the ROE

1 piece briefly now with Mr. Frink, and then we  
2 can go to the rate design.

3 CHAIRMAN HONIGBERG: Fair enough.

4 Ms. Ross.

5 BY MS. ROSS:

6 Q Mr. Frink, the Settlement Agreement in this  
7 case, at Page 7 and 8, talks about the  
8 methodology for arriving at the 9.95. Could  
9 you briefly describe the methodology that we  
10 used.

11 A (Frink) The methodology is to use the RRA's  
12 reported returns of equity for the last -- for  
13 the first two quarters of 2018, for the natural  
14 gas -- for the gas utilities using their median  
15 return -- median returns, and then using the  
16 average for the water utilities' average  
17 returns for the last -- for the first two  
18 quarters of 2018.

19 That produced a 9.55 -- 9.45 ROE, that was  
20 the average of those two, the natural gas  
21 utilities' median and the water utilities'  
22 average returns. And to that we added 50 basis  
23 points. The 50 basis points is essentially an  
24 adder for savings to be realized by not further

1 litigating -- by hiring cost of capital  
2 consultants and further litigating the ROE  
3 issue.

4 CHAIRMAN HONIGBERG: Ms. Ross, this  
5 is precisely what we took official notice of in  
6 the prior hearing. So, do you need him to do  
7 anything else?

8 MS. ROSS: I have a couple more  
9 questions, but I will move along.

10 BY MS. ROSS:

11 Q Mr. Frink, the exhibit that we've referred to,  
12 which is Exhibit 10, was prepared by you, and  
13 it purports to calculate something called an  
14 "implied ROE", which is 10.89?

15 A (Frink) That's correct. Just for  
16 clarification, the heading on Page 1 of  
17 Exhibit 10 says "Settlement 10." -- the first  
18 column of numbers to the left says "Settlement  
19 10.89 ROE". So, that Attachment A Schedule 1  
20 comes right from the Settlement, and that is --  
21 the only difference is that the heading says  
22 "Settlement 10.89 ROE", which is the computed  
23 ROE, the imputed ROE, using an adjusted *pro*  
24 *forma* capital structure.

1           To the right, it says "Testimony 9.01  
2           ROE". It would be more better labeled  
3           "Settlement using 9.01 ROE". So that column is  
4           the exact same as the Settlement column, the  
5           exception being it was calculated using a 9.01  
6           ROE, which is what was in Staff's testimony on  
7           permanent rates prior to the Settlement.

8   Q       And is it Staff's view that the earnings that  
9           this Company potentially may receive as a  
10          result of the Settlement result in just and  
11          reasonable rates?

12   A       (Frink) Yes.

13                   MS. ROSS: That's all I have for this  
14                   witness on the ROE.

15                   CHAIRMAN HONIGBERG: So, we're going  
16                   to go back to Mr. Kreis on rate design?

17                   MS. ROSS: Yes.

18                   CHAIRMAN HONIGBERG: Or, Ms. Brown,  
19                   do you have something?

20                   MS. BROWN: The Company has a few  
21                   questions on ROE.

22                   CHAIRMAN HONIGBERG: Okay. Why don't  
23                   you do that now.

24                   MS. BROWN: Okay.

1 BY MS. BROWN:

2 Q Mr. St. Cyr, I'd like to address these couple  
3 of questions to you. Have you seen Exhibit 10?

4 A (St. Cyr) I briefly saw it before stepping onto  
5 the stand.

6 Q Did you have any drafting or participation or  
7 participate in the drafting of Exhibit 10?

8 A (St. Cyr) No.

9 Q And did you participate in the drafting of the  
10 ROE that appears in the Settlement Agreement?

11 A (St. Cyr) Yes.

12 Q And do you have an opinion as to the just and  
13 reasonableness and appropriateness of the ROEs  
14 either in Exhibit 9 or 10 as to Abenaki?

15 A (St. Cyr) I believe that they're just and  
16 reasonable, and that the adjustments made to  
17 ROE and to the capital structure are  
18 appropriate. Subject to check, I would say the  
19 same thing with respect to Exhibit 10.

20 MS. BROWN: Okay. Thank you. That  
21 was it.

22 CHAIRMAN HONIGBERG: Mr. Kreis.

23 MR. KREIS: Thank you, Mr. Chairman.  
24 I just have a few questions about rate design.

1 And I think I can ask them of

2 Dr. Chattopadhyay, at least in the first

3 instance.

4 BY MR. KREIS:

5 Q And for that purpose, I would ask him to turn  
6 to Bates Page 028 of the Settlement Agreement,  
7 which I believe is Exhibit Number 9.

8 A (Chattopadhyay) Can you please repeat the Bates  
9 page again?

10 Q It's Bates Page 028.

11 A (Chattopadhyay) Eight.

12 Q Twenty-eight.

13 A (Chattopadhyay) Yes. I'm there.

14 Q Thank you. Focusing on the customer charges  
15 that are in the chart towards the beginning of  
16 that page, first of all, would you agree with  
17 me that the residential customers of this  
18 utility are all included in the "5/8th inch  
19 meter", "5/8th and 3/4 inch meter", and "1 inch  
20 meter" classes?

21 A (Chattopadhyay) That is my understanding.

22 Q And you see there that the customer charges for  
23 the two smaller meter classes are currently  
24 "\$9.91" and the 1 inch meter charge is

1 "\$32.69"?

2 A (Chattopadhyay) That is correct.

3 Q And would you agree with me that each of those  
4 three charges is proposed to experience a  
5 pretty significant increase in percentage  
6 terms?

7 A (Chattopadhyay) That is correct.

8 Q And that that percentage increase applies to  
9 each of those three classes is "51.36 percent"?

10 A (Chattopadhyay) Yes.

11 Q Would you also agree with me that that reflects  
12 a significant compromise from what the Company  
13 was initially approving?

14 A (Chattopadhyay) Yes. That is correct.  
15 Initially, the Company had proposed a  
16 100 percent increase.

17 Q In your opinion, why is it appropriate to have  
18 limited that 100 percent proposed increase to  
19 slightly more than 50 percent?

20 A (Chattopadhyay) First of all, there's the issue  
21 of sort of a rate shock that would be, and even  
22 with 50 percent, that's quite an increase.  
23 But, more importantly, as an economist, I  
24 was -- I'm of the view that we really need to

1           have a cost of service study to be able to go  
2           where the Company had requested they wanted to  
3           go. And depending on what the cost of service  
4           shows us, there may be a need to quite  
5           significantly rationalize the rates for all of  
6           the classes, including the residential classes.

7    Q       And although it probably goes without saying,  
8           I'll say it anyway and ask you to confirm, that  
9           limiting the customer charge increases to  
10          around 50 percent for those three classes means  
11          that there simply is more revenue attributed to  
12          volumetric charges as a result, so the Company  
13          gets to its revenue requirement?

14   A       (Chattopadhyay) That is correct.

15                       MR. KREIS: Thank you. Mr. Chairman,  
16           I believe those are all the questions I have on  
17           rate design.

18                       CHAIRMAN HONIGBERG: Are we back to  
19           Ms. Ross?

20                       MS. ROSS: Yes. Thank you.

21   BY MS. ROSS:

22   Q       What I would like to do is to clarify a  
23           provision in the Settlement Agreement toward  
24           the back of it. And I'm going to ask Mr. Frink

1 to help me with this.

2 It's on Page 10 of the Settlement, which  
3 is Bates Page 011. There is a Paragraph 6 that  
4 reads: "The Settling Parties agree that  
5 Abenaki shall file for approval of financing  
6 for the Step 2 engineering design no later than  
7 60 days after the date of the Commission's  
8 order approving this Agreement." And the final  
9 sentence is the one that I want to talk with  
10 you about: "The parties agree to litigate the  
11 scope of the engineering design in the  
12 financing docket." And "The step agreement" --  
13 "adjustment shall be contingent on the approval  
14 of the financing."

15 The engineering proposal is attached to  
16 the Settlement Agreement. And when we talk  
17 about "litigating the scope" of services, could  
18 you elaborate a little bit on what that might  
19 involve with regard to this engineering  
20 proposal?

21 A (Frink) The engineering proposal is seeking to  
22 address the pressure issues, a very serious  
23 issue that Rosebrook has. And it seems  
24 directed towards that solution, and it doesn't

1           appear to look at other ways of addressing that  
2           particular issue or other issues with the  
3           system. So, the thought, when the financing is  
4           made, and we look at the sources of the uses,  
5           we'll want to look at, "okay, is this the  
6           most" -- "is this the most cost-effective way  
7           to address the issues that the utility is  
8           facing?"

9    Q       So, essentially, we want to make sure that the  
10           solution is the least-cost option for this  
11           utility, correct, in dealing with those  
12           problems?

13   A       (Frink) Yes. That it's the least cost.

14                   MS. ROSS: Thank you. That was the  
15           clarification I wanted.

16                   CHAIRMAN HONIGBERG: Are there other  
17           topics that need to be explored by the Settling  
18           Parties with this panel?

19                   MR. KREIS: Not to my knowledge.

20                   MS. ROSS: I think we've covered the  
21           direct.

22                   MS. BROWN: The Company has a couple  
23           of questions, because there was new testimony  
24           today on the characterization of the meters.

[Doucette|St. Cyr|Chattopadhyay|Frink|Descoteau]

1 And we just wanted to -- I wanted to bring that  
2 out, the accuracy of that.

3 CHAIRMAN HONIGBERG: Why don't you  
4 get it done before the intervenors have at it.

5 MS. BROWN: Yes.

6 BY MS. BROWN:

7 Q So, Ms. Doucette, I just wanted to have you  
8 recall Mr. -- or, Dr. Chattopadhyay?

9 A *(Witness Chattopadhyay nodding in the*  
10 *affirmative).*

11 Q His characterization of residential versus  
12 commercial of the meter customer groups, do you  
13 recall that testimony?

14 A (Doucette) Yes.

15 Q And I assume, do you have intimate knowledge of  
16 the characterization of these customers in  
17 these rate groups?

18 A (Doucette) Yes.

19 Q And do you any comments on the accuracy of his  
20 portrayal of whether the groups are largely  
21 commercial or residential?

22 A (Doucette) The groups, the 5/8ths and the  
23 5/8ths & 3/4 meters are residential. The 1  
24 inch are majority residential. There are some

1 commercial customers in there.

2 MS. BROWN: Okay. Thank you. Yes,  
3 that was it. Thank you.

4 CHAIRMAN HONIGBERG: Mr. Getz.

5 MR. GETZ: Thank you, Mr. Chairman.

6 **CROSS-EXAMINATION**

7 BY MR. GETZ:

8 Q I'd like to begin with Mr. Frink, and follow up  
9 on the discussion of the Step 2 adjustment.  
10 So, if you could turn to Section D and Bates  
11 Page 009 of the Settlement Agreement. What I'm  
12 trying to do is understand the import of  
13 Attachment D, which is referred to at the top  
14 of the next page, and that's the agreement with  
15 Horizons.

16 But to begin, Mr. Frink, are you aware  
17 that Omni proposed edits to this section  
18 seeking to clarify what is intended here, but  
19 those edits are not reflected in the Settlement  
20 Agreement?

21 A (Frink) I'm aware of that, yes.

22 MS. ROSS: I object to this line of  
23 questioning. There may be a different way to  
24 do it. But settlement discussions are

1 confidential.

2 CHAIRMAN HONIGBERG: Mr. Getz, I know  
3 you're sympathetic and understand the limits on  
4 the ability to talk about what went on in  
5 settlement. Is there another way to do what  
6 you need to do?

7 MR. GETZ: All I was trying to do,  
8 Mr. Chairman, not get into the substance or any  
9 of the merits of what may have been discussed,  
10 what I was really trying to do is head off a  
11 question from the Bench saying "Mr. Getz, you  
12 had these questions, why didn't you try to get  
13 them resolved in the Settlement Agreement?"

14 CHAIRMAN HONIGBERG: Okay. I guess,  
15 just -- I guess I'd ask the witnesses to pause  
16 a beat before answering the questions in case  
17 someone needs to object.

18 Go ahead, Mr. Getz.

19 BY MR. GETZ:

20 Q So, let's turn to the Attachment D, Mr. Frink.  
21 And that's on Bates Page 037 of the Settlement  
22 Agreement.

23 A (Frink) Okay. I'm there.

24 Q So, my focus is on the "Project Understanding".

1           And it begins by saying: "The Client intends  
2           to implement reconfiguration of the Rosebrook  
3           Water System to reduce operating pressures in  
4           the system." And have you read the Project  
5           Understanding?

6   A       (Frink) Well, briefly, I've looked at it,  
7           but --

8   Q       Well, is it fair to say that it sounds like  
9           Abenaki has determined what the correct  
10          engineering solution is to the high water  
11          pressure issues, and it's asking Horizons to  
12          engineer that solution?

13   A       (Frink) You could interpret it that way.

14   Q       And from what you said previously in response  
15          to questioning from Ms. Ross, I take it you're  
16          not endorsing this Project Understanding or  
17          asking the Commission to endorse it?

18   A       (Frink) That's correct.

19   Q       So then, based on what you said, Staff would  
20          agree that there's still an open question as to  
21          what the least cost engineering solution is to  
22          high water pressure in the system?

23   A       (Frink) Yes.

24   Q       And with respect to the financing proceeding,

1 would Staff agree that the parties should have  
2 the opportunity to have their engineering  
3 consultants review the Project Understanding  
4 and the proposed Scope of Services?

5 A (Frink) To the extent we explore that in the  
6 financing docket, I imagine that will be part  
7 of the discovery process.

8 Q And would Staff agree that Horizons should not  
9 commence work on the design until the parties  
10 in the financing proceeding have agreed on the  
11 Project Understanding?

12 A (Frink) I would say that the Company has a  
13 right to go forward with the project, and it  
14 would be at its own risk if it were ultimately  
15 determined that the project was -- that to do  
16 so was imprudent. So, that's -- I don't think  
17 they're prohibited from going forward with the  
18 project. But I can't imagine they would do  
19 that absent a finding by the Commission that  
20 the financing was reasonable and they could  
21 finance the project.

22 Q But I took it that your understanding of the  
23 financing docket that there would be an  
24 exploration in that proceeding of what's the

1 least cost engineering solution to the high  
2 water pressure issue in the system?

3 A (Frink) Staff will be looking at that, and as I  
4 imagine the other parties to that docket or  
5 intervenors will do so as well.

6 Q Thank you. So, let's move on to the cost of  
7 equity, Mr. Frink. The Settlement Agreement  
8 discusses that beginning at Page 7, Bates stamp  
9 Page 007. But, as I understand it, the Company  
10 proposed an ROE of 11.6 percent, and that was  
11 comprising a 9.6 percent return and a 200 basis  
12 point premium to reflect the small size risk of  
13 Abenaki. Would you agree?

14 A (Frink) I believe that's correct. And that's  
15 one of the exhibits in here. But I'll accept  
16 that subject to check. I don't remember the  
17 specifics. I remember the total amount.

18 Q And I think it's already been discussed by  
19 Dr. Chattopadhyay that Staff witness  
20 Dr. Woolridge proposed or calculated a  
21 9.01 percent return on equity. Correct?

22 A (Frink) He recommended a 9.01 percent return on  
23 equity.

24 Q Is it also correct that Dr. Woolridge suggested

1           that one adjustment that might have merit when  
2           considering a generic ROE is to recognize the  
3           avoided cost of rate case expenses?

4    A       (Frink) That is in his testimony, yes.

5    Q       So, in looking at the Settlement Agreement, in  
6           Section B, Paragraph 1, the Settlement  
7           Agreement describes a "9.95 percent ROE", and  
8           that appears to be derived in part from Page 12  
9           of Dr. Woolridge's testimony. And on that page  
10          he has a "Table 3" of "Average Authorized ROEs  
11          for Electric, Gas, and Water Utility  
12          Companies". Are you familiar with that table?

13   A       (Frink) I am.

14   Q       So, the Settlement Agreement also says that "An  
15          additional 50 basis points are added to the  
16          base percentage to recognize the rate case  
17          expense savings to customers derived by the  
18          Company not litigating ROE." Am I correct here  
19          that the "base percentage" is the 9.5 percent  
20          ROE?

21   A       (Frink) The base percentage was 9.45, and then  
22          there's a 50-point adder for the -- or, adder  
23          which is avoided litigation related to the  
24          avoided litigation costs.

1 Q And at the top of Bates stamp Page 008 of the  
2 Settlement Agreement, that's this thing called  
3 the "ROE Litigation Replacement Premium",  
4 that's the same concept of the avoided cost?

5 A (Frink) I was in the wrong document. So,  
6 you're referring to Bates Page 008?

7 Q Yes. It's at the top, there's the calculation  
8 of the --

9 A (Frink) Oh. Right. Added ROE --

10 *[Court reporter interruption.]*

11 **CONTINUED BY THE WITNESS:**

12 A (Frink) That is labeled "Add: ROE Litigation  
13 Replacement Premium 0.50 percent".

14 BY MR. GETZ:

15 Q So, I'm trying to also understand here the  
16 import of the reference to the "rate case  
17 expense savings...derived by the Company not  
18 litigating ROE". It's not factually correct,  
19 is it, that the ROE has not been litigated?

20 A (Frink) The ROE has been litigated up until the  
21 point of the -- the point of settlement. Once  
22 we settled, there is a savings from not having  
23 to further litigate it, having our cost of  
24 capital witness travel from Pennsylvania and

1 the Company's cost of capital witness traveling  
2 to New Hampshire and putting on their cases.  
3 So, there are litigation costs that will be  
4 recovered as part of this Settlement, ROE  
5 litigation costs that will be recovered as part  
6 of this Settlement. But they would have been  
7 higher absent the Settlement.

8 Q So that really is not consistent with  
9 Dr. Woolridge's notion in the context of a  
10 generic ROE, that there would be a premium  
11 available to dissuade a utility company from  
12 putting on an ROE case, correct?

13 A (Frink) I see an association there. I don't  
14 think it's -- I think it's consistent with what  
15 Dr. Woolridge is saying, it's just to a lesser  
16 extent.

17 Q Are you proposing that customers not bear the  
18 burden of the rate case's expenses already  
19 encountered in this case?

20 A (Frink) No. The Settlement allows for recovery  
21 of ROE-related rate case expenses, to the  
22 extent they have been incurred. They will be  
23 audited, and that will be -- the Settlement  
24 allows for recovery of those reasonable and

1 justified costs.

2 MS. ROSS: I'm going to object to  
3 further questioning along the lines of the  
4 Settlement's inconsistency with Dr. Woolridge's  
5 testimony. The Settlement is a settlement, and  
6 it indicates what methodology the parties used  
7 to reach a proxy ROE.

8 CHAIRMAN HONIGBERG: Mr. Getz.

9 MR. GETZ: Well, my focus,  
10 Mr. Chairman, is the inconsistency with the  
11 facts of the case. The Settlement Agreement  
12 speaks to a premium to recognize that costs of  
13 litigating ROE were avoided. And Omni's  
14 position is costs have not been avoided, costs  
15 have actually been incurred.

16 CHAIRMAN HONIGBERG: Overruled. You  
17 can proceed.

18 BY MR. GETZ:

19 Q A question for Dr. Chattopadhyay related to  
20 this. Do you have an opinion on the  
21 reasonableness of this 50 basis point premium  
22 that the Settlement Agreement sets out for  
23 avoiding the cost of litigation expenses  
24 relating to ROE?

1 A (Chattopadhyay) I have actually discussed this  
2 a little bit in the previous docket. I am  
3 starting with the 9.95. I'm not essentially  
4 opining on what the approach is. For me, I'm  
5 looking at the current market conditions and  
6 figuring out whether the estimates that I  
7 derive are consistent with or in the range of  
8 9.95, along with the adjustment in the capital  
9 structure.

10 So, the point that I made was, this is  
11 not, even for the purpose of figuring out what  
12 the generic ROE would be going forward,  
13 necessarily where we will be starting. But  
14 this is just a part of the Settlement, and it  
15 tells us the number is 9.95. And with the  
16 change in the capital structure, I looked at  
17 the imputed ROE and I concluded that it's just  
18 and reasonable. So, that's what I did.

19 When we do go ahead and talk about having  
20 a rule, I may actually come up with even other  
21 approaches that will be up for discussion.

22 So, this, I'm not looking at it as quoted  
23 in, you know, stone that I have to go through  
24 this approach to figure out what the ROE is.

1 Q The ROE in this case?

2 A (Chattopadhyay) Uh-huh.

3 Q So, and somewhat you're saying that this looks  
4 like a -- what's in this Agreement is  
5 tantamount to a generic ROE proposal that we  
6 might see in a rulemaking?

7 A (Chattopadhyay) Yeah. If I'm -- can you just  
8 repeat your question please again?

9 Q When you were referring to this 9.45, based on  
10 the RRA numbers, plus the 50 basis point  
11 premium, I took it that you were saying that  
12 that was the type of thing that might be  
13 addressed in the rulemaking?

14 A (Chattopadhyay) Correct.

15 Q Mr. Frink, so, one last issue on the 50 basis  
16 points. What's the -- what's the basis for the  
17 calculation of that number?

18 A (Frink) This was discussed at the earlier  
19 proceeding. There is -- there's not a  
20 definitive number. We didn't calculate what  
21 the potential capital -- what the potential  
22 rate case expense costs would be associated  
23 with a litigated ROE. We assume it would be in  
24 the range of somewhere between 100 and a couple

1           hundred thousand dollars. Depending on the  
2           size of the company, if you were to equate it  
3           to a adder tied to that cost, it would be  
4           different for each utility. We didn't do that  
5           here. We simply, as part of a settlement  
6           agreement, agreed that, in this instance, that  
7           is what we would use.

8    Q       So then, this number represents some value of  
9           rate case expense that might have been spent,  
10           and hasn't been spent, but the Company is going  
11           to recover those, recover that level of  
12           dollars?

13                   CHAIRMAN HONIGBERG: Is that a  
14           question?

15                   MR. GETZ: That's a question.

16    **BY THE WITNESS:**

17    A       (Frink) As a global settlement, there were a  
18           number of issues that were resolved here. So,  
19           to tie that, the litigation -- the avoided  
20           litigation cost or the incurred litigation  
21           costs to this final number isn't appropriate in  
22           my mind. The signatories to this Agreement, is  
23           part of this comprehensive agreement, resolved  
24           a number of issues. And that's just one of

1           them that was factored in to the Company's,  
2           OCA's, and Staff's decision to sign onto this.

3 BY MR. GETZ:

4 Q       I have one question about this Attachment 10 --  
5       or, Exhibit 10. The second page and the  
6       imputed ROE, the 10.89 percent. And basically,  
7       what -- my question is prompted by an exchange  
8       between you and Commissioner Bailey in the  
9       previous proceeding that I heard. And I  
10       believe the question there concerned the  
11       9.95 percent ROE in the Settlement, and which I  
12       think in that case was an 11.5 percent imputed  
13       ROE, and which in this case is a 10.89 percent  
14       ROE. And I believe Commissioner Bailey asked  
15       you "are you requesting that the Commission  
16       find the imputed ROE to be a just and  
17       reasonable ROE?" And I guess what I want to  
18       understand, what are you asking in this  
19       proceeding?

20 A       (Frink) In this proceeding, in this Settlement,  
21       we have asked for a proformed capital structure  
22       and a ROE of 9.95. And that's what's in the  
23       Settlement Agreement, that's what the schedules  
24       all show.

1           This Exhibit 10 simply calculates what the  
2           imputed ROE is. We didn't ask for approval of  
3           an imputed ROE. We just want it to be clear on  
4           the record that, with the existing capital  
5           structure, this is the return that the Company  
6           would realize based on the schedules in the  
7           Settlement.

8   Q       Yes. Thank you. That's helpful. Because I  
9           think that jibes with my understanding of what  
10          the imputed ROE is. That you're asking for a  
11          9.95 percent ROE, which, of course, we don't  
12          agree with, but that for whatever reason you  
13          decided to put more equity into the capital  
14          structure, this imputed return is just a number  
15          that falls out of the overall Settlement.  
16          Correct?

17   A       (Frink) The 10.89?

18   Q       Yes.

19   A       (Frink) That is right. If you back into the --  
20          using the capital structure, the existing  
21          capital structure, and the 9. -- and the cost  
22          of debt, then this is what the return is.

23   Q       And going forward, if you were going to make a  
24          determination whether the Company is

1           overearning or underearning, you would be  
2           looking at the 9.95?

3   A       (Frink) That is correct. That if the  
4           Settlement is approved as it is, then that's  
5           the way it will be calculated.

6   Q       Okay. If we could now turn to the  
7           debt-to-equity ratio, Mr. Frink.

8   A       (Frink) Okay. Are you still in Attachment --  
9           Exhibit 10?

10   Q       No. I'm going to be looking at Bates Page 008  
11           of the Settlement Agreement.

12   A       (Frink) Okay.

13   Q       So, Paragraph 2 recommends that the Commission  
14           approve a *pro forma* or a hypothetical capital  
15           structure that is 60 percent equity and  
16           40 percent debt, correct?

17   A       (Frink) That is correct.

18   Q       And what's the actual ratio?

19   A       (Frink) If you look at Exhibit 10, that  
20           schedule we were just looking at, Page 2,  
21           you'll see the existing capital structure.  
22           Actually, it's the middle block, where it says  
23           "Staff Testimony - Existing Capital Structure &  
24           9.01 percent ROE". You can see the total debt

1           there is "48.19" and the total common equity is  
2           "51.81".

3   Q       And would it be fair to say that that actual  
4           capital structure is pretty much an ideal  
5           capital structure for a water utility such as  
6           Abenaki?

7   A       (Frink) The ideal capital structure, the goal  
8           that Staff typically seeks, is a 50/50  
9           debt-to-equity. So, that is close to ideal.

10   Q       So, what's the revenue impact to customers of  
11           using a hypothetical capital structure with  
12           60 percent equity, instead of the actual  
13           equity?

14   A       (Frink) If you turn to the first page of  
15           Exhibit 10, you'll see that there's a  
16           comparison of the Settlement at the imputed  
17           10.89, and you'll see the -- what Staff -- what  
18           the Settlement would have produced at an ROE of  
19           9.01, which is the equity that was recommended  
20           by Dr. Woolridge. And the difference, if you  
21           go down below the two blocks, the 23 percent  
22           and the 20 percent, it says "Difference in  
23           Revenue Requirement from Staff Testimony (9.01  
24           ROE) and Settlement (10.89)". So, there's a

1           \$9,517 increase in the revenue requirement from  
2           using an imputed 10.89 versus Staff recommended  
3           9.01. So, a couple lines above that you can  
4           see the revenue requirement, under the 10.89,  
5           is 341,000 and under the -- at 9.01, it's  
6           331,000. So, roughly \$10,000.

7   Q       Now, I take it you're familiar with the  
8           Commission's decision in Docket DW 14-448,  
9           which approved Abenaki's acquisition of  
10          Rosebrook?

11  A       (Frink) I'm not very familiar with it. I'm  
12          aware of it.

13  Q       Are you aware that in Order 25,934 that the  
14          Commission observed that the financing approved  
15          in that case reduced the equity financing from  
16          100 percent and resulted in close to a 50/50  
17          debt-to-equity ratio, which was beneficial to  
18          customers, because it was lower cost, and it  
19          also provided a benefit to the Company in  
20          having a balanced capital structure?

21  A       (Frink) Subject to check, I'll accept that.

22  Q       So, why is it now appropriate to employ a  
23          hypothetical capital structure that raises the  
24          equity ratio from 50 percent to 60 percent?

1 A (Frink) This is a global settlement. The one  
2 issue that the Company in their filing  
3 requested recovery of an acquisition premium,  
4 Staff is firmly opposed to recovery of  
5 acquisition premiums, absent a demonstrated  
6 savings, which typically we would want  
7 established at the time of the acquisition, so  
8 you could track it and be sure that that's --  
9 to have a baseline to measure it to.

10 But, in this instance, Staff is aware  
11 that, prior to Abenaki's acquisition of  
12 Rosebrook, it was 100 percent equity versus  
13 zero debt. And that there's a substantial  
14 savings from going to the -- as stated in the  
15 Commission's order, in 25,934, that's a real  
16 benefit to customers.

17 And so, while we were opposed to the  
18 acquisition -- recovery of any acquisition  
19 premium, we considered that fact. We also  
20 considered the fact that Abenaki has made a lot  
21 of improvements to what was a troubled system  
22 prior to its acquisition, and that they're  
23 working on -- actively working on taking care  
24 of the pressure problem on the system, and

1           which has been an issue for a very long time.  
2           With those things in mind, we thought it was  
3           appropriate to use a hypothetical capital  
4           structure that is still within the range of  
5           what we consider a reasonable capital  
6           structure.

7    Q       So, does that hypothetical capital structure  
8           benefit customers in any way?

9    A       (Frink) To the extent that it resolves other  
10           issues in this docket, yes.

11   Q       So, it's not stated in the Settlement  
12           Agreement, but from what you've just said, it  
13           sounds like, tell me if I'm incorrect, that  
14           this was another way to deliver value, a bonus  
15           to Abenaki, in lieu of the acquisition premium,  
16           which is frowned upon?

17                   MS. ROSS: I'm going to object to the  
18           question. Again, it goes to the parties'  
19           motives in reaching a settlement here. And I  
20           think the witness has already described that  
21           this is part of a global agreement.

22                   CHAIRMAN HONIGBERG: Mr. Getz.

23                   MR. GETZ: I don't have anything  
24           further on that. I think, you know,

1 Mr. Frink's comments on --

2 CHAIRMAN HONIGBERG: I think your  
3 question serves essentially as a sum-up event  
4 issue, right? If he agrees with it or not,  
5 you're probably going to take the same  
6 position.

7 MR. GETZ: You could be right.

8 *(Laughter.)*

9 MR. KREIS: I would say I don't  
10 object to his posing that question to  
11 Dr. Chattopadhyay.

12 CHAIRMAN HONIGBERG: We're going to  
13 move on.

14 MR. GETZ: I'm sorry. You would  
15 object to me posing --

16 MR. KREIS: No, no, no. I would not.

17 CHAIRMAN HONIGBERG: Mr. Kreis was  
18 inviting you to ask the question of Dr.  
19 Chattopadhyay. He said he wouldn't object. I  
20 think Ms. Ross might anyway. Why don't you  
21 move to another topic.

22 BY MR. GETZ:

23 Q So, let me ask just some clarity about the  
24 timing of these different rate changes. I

1 believe Abenaki's counsel delved into this a  
2 little bit. But, as I understand it, the  
3 Settlement, and I think maybe this would be --  
4 I don't know, maybe this is for Mr. Frink, I'm  
5 not sure. The effective date of the proposed  
6 increase will be January 1, 2019, and that's at  
7 the top of Bates Page 006. And I think the  
8 reference there to "this increase" means the  
9 combined 23.43 percent permanent rate increase  
10 and the 5.44 percent step, which is the new  
11 capital additions. Am I correct that that's  
12 both things are effective January 1?

13 A (Descoteau) Both things will be effective  
14 January 1st.

15 Q And then --

16 A (Descoteau) They will be effective on a  
17 bills -- I mean, on a service-rendered basis as  
18 of January 1st.

19 Q But only the permanent rate increase is  
20 reconciled back to May 1, and the step is  
21 entirely prospective?

22 A (Descoteau) That's correct.

23 Q And then, whatever happens in the second step  
24 will depend on when those expenses are covered

1 and filed, and that could be the end of '19,  
2 beginning of '20, who knows?

3 A (Descoteau) It has a number of factors. You  
4 know, as we discussed also, it depends on the  
5 financing, the scope -- we're going to litigate  
6 the scope of the financing. So, Step 2 also  
7 deals with that.

8 Q And I believe Ms. Doucette said that bills will  
9 go out at the end of January to reflect  
10 whatever happens or takes effect January 1?

11 A (Doucette) That is correct.

12 Q And where does the rate case expense factor  
13 into that?

14 A (Descoteau) Thirty days from the date of the  
15 Commission's order in this proceeding the  
16 Company will provide its proposal for the  
17 surcharge and all of the supporting  
18 documentation. And Staff will review and audit  
19 the documentation and the proposal for recovery  
20 and write a recommendation on that.

21 Q And will the rate case expense and the  
22 reconciliation happen at the same time? I'm  
23 just trying to make sure I understand what bill  
24 changes customers are going to see and when.

1           So, with a bill that gets sent out at the end  
2           of January won't have rate case expenses. Will  
3           it have the reconciliation or the recoupment in  
4           it or does that come later, too?

5   A       (Descoteau) Depends on the timing. I'm not  
6           sure at this point.

7   Q       So, you could see one increase at the end of  
8           January, and then another increase several  
9           months later for the surcharges. Correct?

10   A       (Descoteau) I wouldn't say "several months  
11           later". But would be shortly thereafter,  
12           possibly.

13                       MR. GETZ: That's all I have,  
14           Mr. Chairman.

15                       CHAIRMAN HONIGBERG: Mr. Mueller, do  
16           you have any questions?

17                       MR. MUELLER: I do. I have two lines  
18           of questions for Mr. Frink.

19                       CHAIRMAN HONIGBERG: Just before you  
20           start, let's go off the record.

21                               *[Brief off-the-record discussion*  
22                               *ensued.]*

23                       CHAIRMAN HONIGBERG: All right. Why  
24           don't you go ahead.

1 MR. MUELLER: Okay. First line of  
2 questions --

3 *[Court reporter interruption.]*

4 BY MR. MUELLER:

5 Q So, on that Exhibit 10, down below, the third  
6 set of calculations with the imputed ROE of  
7 10.89 percent, another way to think of this,  
8 this is calculated over the Company's actual  
9 invested capital. It's the actual equity from  
10 the Company's balance sheet as audited by the  
11 PUC. Am I correct?

12 A (Frink) That's correct.

13 Q Okay. So, what's happening here, the interplay  
14 of the 9.95 percent proposed ROE and the *pro*  
15 *forma* debt-to-equity structure really gives the  
16 Company a 10.89 percent return on their actual  
17 invested cash? I mean, they just bought the  
18 Company, so --

19 A (Frink) That's correct.

20 Q Okay. I just wanted to make that clear. It's  
21 not 9.95 percent, it's 10.89 percent?

22 A (Witness Frink nodding in the affirmative).

23 Q Thank you. The second line of questions should  
24 be on the rate structure. So, and I may be

1 paginated differently than everybody else, but  
2 the 51 percent increase for the residential  
3 customers. Absent a cost of service study,  
4 what is that based on? How do you get to the  
5 51 percent?

6 A (Chattopadhyay) Again, the number itself is  
7 part of the whole package. So, it's the  
8 Agreement -- the Settlement Agreement that we  
9 have, we were willing to sign. If you also go  
10 back and look at the data responses from the  
11 Company, as far as its other affiliates are  
12 concerned, I mean, you have rates like \$16  
13 something, you had another where it was \$28,  
14 and in Abenaki -- in Rosebrook, it's \$9.91.

15 So, we -- I can speak for my analysis  
16 itself, as an economist, I think it's, you  
17 know, I need to understand what the fixed  
18 charges are, and the fixed charges should be --  
19 really be recovering the fixed costs. So, all  
20 of that I don't have a perfect view of it right  
21 now. But, as part of the big package here, we  
22 were willing to go only up to \$15. And I'm  
23 saying that in the context of what I know about  
24 the fixed charges are in the other companies as

1 well.

2 Q I think my follow-on question may be for the  
3 doctor then as well. You would agree that it  
4 changes in the aggregate the rate structure  
5 from a 30 percent fixed and 70 percent  
6 volumetric, to about a 40 percent fixed and a  
7 60 percent volumetric?

8 A (Chattopadhyay) Subject to check.

9 Q All right. And obviously, that provides less  
10 of an incentive for residential users to  
11 conserve water?

12 A (Chattopadhyay) Can you repeat?

13 Q So, by changing the volumetric weighting from  
14 70 percent to 60 percent, it's going to  
15 disadvantage low users of water versus high  
16 users of water, since now more of the rates are  
17 based on fixed rates?

18 A (Chattopadhyay) And then what did you say in  
19 your previous question? So, you're trying to  
20 confirm what? "You agree" --

21 Q It provides less of an incentive to conserve  
22 water, because you're going to pay anyway, if  
23 it's fixed.

24 A (Chattopadhyay) Well, the per -- yes. But you

1           should also look at the per -- you should look  
2           at the consumption charges as well. The  
3           consumption charges are going up.

4   Q       Yes.

5   A       (Chattopadhyay) So, I mean, in the sense that  
6           that is where you are going to view how much  
7           water you're going to consume? I don't  
8           necessarily agree that, you know, it affects  
9           adversely your affinity to conserve water.

10                   MR. MUELLER: Okay. Thank you.

11           Those are my questions.

12                   CHAIRMAN HONIGBERG: All right. I  
13           think, before the Commissioners ask their  
14           questions, we're going to take a break. Off  
15           the record.

16                           *[Brief off-the-record discussion*  
17                           *ensued.]*

18                   CHAIRMAN HONIGBERG: All right.  
19           We're going to resume at 2:15.

20                           *(Recess taken at 1:06 p.m.*  
21                           *and the hearing resumed at*  
22                           *2:26 p.m.)*

23                   CHAIRMAN HONIGBERG: All right.

24           Before we resume the questioning, I want to get

1 something dealt with having to do with the  
2 testimony that's premarked. It's not clear to  
3 me, Ms. Brown, and everybody actually, what  
4 your intention is with this testimony, if you  
5 want it to be testimony in the record or just a  
6 document that's part of the record? And I  
7 think Mr. Getz used and referred to things from  
8 the Woolridge testimony, but Woolridge isn't  
9 here. It's not in his testimony, and that's  
10 really not how he was using it. He was asking  
11 questions about that position of some of the  
12 witnesses.

13 If there's testimony here that people  
14 want to be in as testimony, witnesses are going  
15 to have to adopt the testimony. So, is that  
16 what you want? Or do you just want these  
17 documents to go in as non-testimonial exhibits?

18 MS. BROWN: In response, I had  
19 intended to have these as testimony, by at  
20 least the Company witnesses.

21 CHAIRMAN HONIGBERG: Okay. You  
22 didn't quite close the loop on it. You asked  
23 them if they had prepared it, but you didn't  
24 ask them to adopt it.

1 MS. BROWN: Correct. I didn't do  
2 that. But also, given that the Commission is  
3 not bound by the rules of evidence, too, and  
4 you can give these the weight that they are  
5 deemed. And to the extent that some of these  
6 have not been cross-examined, such as Pauline  
7 Ahern's and Woolridge's, we don't have those  
8 two folks here for cross-examination.

9 CHAIRMAN HONIGBERG: Neither of those  
10 is coming in as testimony, because they're not  
11 here.

12 MS. BROWN: Fine.

13 CHAIRMAN HONIGBERG: Whatever use  
14 people can make of them, in whatever form they  
15 are, people can make use of them, but they're  
16 not coming in as testimony.

17 MS. BROWN: Then, I would like the  
18 opportunity to just ask the Company witnesses  
19 to adopt them to cure that defect.

20 CHAIRMAN HONIGBERG: Why don't you  
21 take care of that.

22 MS. BROWN: Okay.

23 BY MS. BROWN:

24 Q Mr. St. Cyr, with respect to testimony that's

[Doucette|St. Cyr|Chattopadhyay|Frink|Descoteau]

1           been premarked for identification as  
2           "Exhibit 4" and "5", do you adopt that  
3           testimony as part of your testimony today?

4   A       (St. Cyr) I do.

5   Q       And, Ms. Doucette, with respect to Exhibit 3,  
6           which is your premarked direct testimony, do  
7           you adopt that as your testimony here today?

8   A       (Doucette) I do.

9                       MS. BROWN: Thank you.

10                      CHAIRMAN HONIGBERG: Mr. Tuomala, Ms.  
11           Ross, do you need Ms. Descoteau's testimony to  
12           be in as testimony?

13                      MR. TUOMALA: Yes, Mr. Chairman.

14                      CHAIRMAN HONIGBERG: Why don't you  
15           take care of that.

16   BY MR. TUOMALA:

17   Q       Ms. Descoteau, regarding Exhibit Number 8, the  
18           Direct Testimony of Robyn J. Descoteau and  
19           attachments, do you adopt your testimony?

20   A       (Descoteau) Yes, I do.

21   Q       If you were asked the same questions today,  
22           would you produce the same answers?

23   A       (Descoteau) Yes.

24                      MR. TUOMALA: Thank you.

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1 CHAIRMAN HONIGBERG: All right.

2 Anything else on that topic?

3 *[No verbal response.]*

4 CHAIRMAN HONIGBERG: All right.

5 Commissioner Bailey.

6 BY CMSR. BAILEY:

7 Q I'll start with Staff, and ask do you agree  
8 with everything that was in the testimony that  
9 just became evidence? Yes. I mean, is it  
10 undisputed testimony now?

11 Is everything correct in their testimony  
12 and you agree with it?

13 CHAIRMAN HONIGBERG: Well, wait.

14 **BY THE WITNESS:**

15 A (Descoteau) As far as I can remember.

16 BY CMSR. BAILEY:

17 Q Okay.

18 A (Descoteau) I haven't read it for a while.

19 CHAIRMAN HONIGBERG: But Staff  
20 submitted testimony that was in opposition to  
21 the Company's original testimony.

22 CMSR. BAILEY: Okay. All right.

23 Okay.

24 BY CMSR. BAILEY:

1 Q So, the Staff testimony disputes the Company's  
2 testimony, in effect?

3 A (Descoteau) Right.

4 Q Okay. So, you don't agree with everything in  
5 the Company's --

6 A (Descoteau) But that's in my testimony what I  
7 disagree with.

8 Q Okay. Thank you. All right. Can we start  
9 with Exhibit 10, Schedule 2, Attachment A. Are  
10 you there, Mr. Frink?

11 A (Frink) Yes, I am.

12 Q Okay. So, the first block of information shows  
13 us what the rate of return would be using  
14 9.95 percent return on equity and an imputed  
15 capital structure of 40 percent debt and 60  
16 percent equity?

17 A (Frink) Yes.

18 Q That's right? And that return -- rate of  
19 return would be 7.56 percent?

20 A (Frink) Yes.

21 Q Okay. And then, the second block shows us what  
22 your testimony or what Staff's originally  
23 recommended return on equity of 9.01 percent,  
24 using the actual capital structure, would

1 produce a 6.59 percent rate of return?

2 A (Frink) No.

3 Q Okay.

4 A (Frink) This is not Staff's testimony. This is  
5 not the testimony return -- well, it is the  
6 testimony return. This is the Settlement  
7 numbers -- well, actually, it is identical to  
8 what's in the testimony, as far as the debt and  
9 the --

10 Q That's their actual capital structure?

11 A (Frink) Right. That's the actual capital  
12 structure.

13 Q And 9.01 percent was the return on equity that  
14 Dr. Woolridge recommended?

15 A (Frink) Yes. And that was used in Ms.  
16 Descoteau's testimony.

17 Q Okay. So, 6.59 percent is the rate of return  
18 that would have been authorized if the  
19 Commission adopted your original testimony,  
20 Staff's original testimony?

21 A (Frink) If the -- right.

22 Q Okay. And that's there to show us the  
23 difference between Staff's original position  
24 and the settled position of 7.56 percent?

1 A (Frink) That's there to show what the impact is  
2 of a Settlement using the Staff recommended  
3 ROE.

4 Q I don't understand what you mean by "a  
5 Settlement using the Staff recommended ROE",  
6 because the Settlement --

7 A (Frink) Okay. You have to go back to Page 1.  
8 What we're doing is we're comparing the  
9 Settlement at the imputed rate, or you could  
10 say it's a settlement using the proformed  
11 capital structure and the 9.95. It's the same  
12 thing. That is the Settlement number that's --

13 Q That's in the first block on this page?

14 A (Frink) That's right. And the one to the  
15 right, again, it's using the same -- exact same  
16 numbers that are in the Settlement, not what  
17 was in the Staff's testimony for the  
18 adjustments and so forth, all the adjustments  
19 and things that were resolved and reflected in  
20 the Settlement, we just took those schedules  
21 and used a 9.01 return on equity.

22 Q All right.

23 BY CHAIRMAN HONIGBERG:

24 Q So, the rate base in the second block and the

1 rate base in the first block are the same?

2 A (Frink) Right.

3 Q And you're showing us the difference between  
4 capital structure and return on equity?

5 A (Frink) Right, at 9.01.

6 Q Which you changed both, from block one to block  
7 two, you changed both the capital structure and  
8 the return on equity, correct?

9 A (Frink) So, right, in block two, we're using  
10 the -- not the proformed, but the actual  
11 capital structure.

12 CMSR. BAILEY: Right.

13 **BY THE WITNESS:**

14 A (Frink) Yes.

15 BY CMSR. BAILEY:

16 Q So, what that equates to is the rate of return  
17 that you would have originally --

18 A (Frink) That's correct.

19 Q -- recommended?

20 A (Frink) Right.

21 Q Okay. And so, that's to show us the difference  
22 between, you know, where you started and where  
23 you settled, and where you settled was at  
24 7.56 percent rate of return? From block one?

1 A (Frink) Oh, from block one. Okay. Right.

2 Yup.

3 Q Okay. Now tell me what block three is doing.

4 A (Frink) So, what block three does is, so you  
5 have here your cost of debt, your actual cost  
6 of debt.

7 Q Uh-huh.

8 A (Frink) But now you're putting it at -- well,  
9 now, instead of being -- so, the cost of debt  
10 is what was in the filing. It's the actual  
11 cost of debt.

12 CHAIRMAN HONIGBERG: And just to be  
13 clear, that's the same in block one, two, and  
14 three. Cost of debt doesn't change.

15 BY CMSR. BAILEY:

16 Q Cost of debt doesn't change.

17 A (Frink) Cost of debt doesn't change. But now  
18 you're using -- so, the cost of debt doesn't  
19 change. So -- okay, so, that's correct. Now  
20 you've got -- so, we've calculated the overall  
21 rate of return as part of the Settlement.

22 Q Okay. And that was 7.56 percent, right?

23 A (Frink) 7.56 percent.

24 Q Okay.

1 A (Frink) Then, we calculated what the rate of  
2 return would have been using 9.01. And that's  
3 the second block down.

4 Q Yes. I'm trying to figure out what you did in  
5 the third block. And what I thought you were  
6 trying to show was that what the effective  
7 return on equity would be, using the actual  
8 capital structure and the 7.56 percent  
9 return -- rate of return, but the number is  
10 5.64 percent rate of return. I don't get that.  
11 That's the number I don't understand.

12 MS. ROSS: Could we just clarify?  
13 The schedule appears to have cut off the last  
14 line in that third block.

15 CMSR. BAILEY: Oh.

16 MS. ROSS: Which should read  
17 "7.56 percent" with a double underline. So,  
18 that's the apples-to-apples. Apologies. We  
19 just -- Mr. Laflamme just figured out what was  
20 causing the confusion. I don't know why it  
21 printed that way, but it dropped that, that  
22 number.

23 CMSR. BAILEY: Okay.

24 BY CMSR. BAILEY:

1 Q So, 5.64 percent would be the part of the rate  
2 of return that was based on common equity?

3 A (Frink) Yes. And if you'd like, I'd be happy  
4 to provide the full --

5 Q Okay.

6 A (Frink) -- table for the record.

7 Q I just had a misunderstanding about this.

8 A (Frink) No, I can understand that.

9 Q Okay. All right.

10 A (Frink) I was confused as well.

11 Q Thank you. So, with all that, the  
12 recommendation is to approve effectively a  
13 10.89 percent return on equity?

14 A (Frink) Correct.

15 Q And that's a settled number. It's different  
16 than the Hampstead case, where we were trying  
17 to incent a change in capital structure?

18 A (Frink) Right. In Hampstead, we were moving  
19 towards what we would consider the "ideal"  
20 capital structure, or at least within the  
21 parameters of what constitutes a "reasonable"  
22 capital structure.

23 Q And here we have that?

24 A (Frink) Here we have that, and we're actually

1 moving away from it somewhat.

2 Q So, are we effectively settling on -- I mean,  
3 why didn't you just settle on 10.89 percent  
4 ROE?

5 A (Frink) In hindsight, I would do it that way.

6 Q Oh. Okay.

7 A (Frink) But the fact, because we were actually  
8 looking at the -- prospectively, at this  
9 formula we were using for both Hampstead, and  
10 it wasn't -- and also Lakes Region was involved  
11 in these discussions, we came up with a formula  
12 that seemed reasonable to everybody. So,  
13 basically, that was our starting point. And  
14 so, we used it here.

15 But, as I said, in hindsight, it would  
16 have been more direct and easier just to use  
17 what the actual ROE is here, which is 10.89.

18 Q And that's different than HAWC, because, in  
19 HAWC, you wanted us to approve a  
20 9.95 percent -- I'm having a really hard  
21 time --

22 A (Frink) The HAWC capital structure, again,  
23 you're looking at a 50/50 as being ideal.  
24 Because their capital structure was, I think,

1           37 percent, it was outside what we consider a  
2           reasonable -- what a normal range would be.  
3           So, in a way, they were getting a lower return  
4           than if you were to use a hypothetical.  
5           Typically, Staff, if it's a high equity number,  
6           will reduce it down. This time we went the  
7           other way, because it's a low equity number, to  
8           bring it within the zone of reasonableness.

9 BY CHAIRMAN HONIGBERG:

10 Q       And you and I had the discussion right at the  
11       end, where the idea in HAWC is that they're  
12       going to get some more revenue, they should be  
13       able to reduce the losses, which will have the  
14       effect of raising the equity?

15 A       (Frink) Correct.

16 Q       Without anybody actually having to do anything?

17 A       (Frink) Right.

18 Q       Put new money in?

19 A       (Frink) Right. They have retained -- they have  
20       negative retained earnings of 800,000. So,  
21       they have experienced more losses than profits  
22       over the years.

23 Q       Right.

24 A       (Frink) And now they should be able to address

1           that.

2   Q       But here we're actually going in the opposite  
3           direction, because this company is expected to  
4           borrow a bunch of money, and they're going  
5           to --

6   A       (Frink) Well, they're planning to do a  
7           financing docket to fund the study.

8   Q       And so, it may not -- well, the financing  
9           docket I thought was to fund the entire  
10          project, and the study costs would be included.  
11          That's what Mr. St. Cyr testified earlier.

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

13                           CMSR. BAILEY:  It's more than  
14          \$100,000?  Or the whole project is only going  
15          to be limited to \$100,000?

16   BY CHAIRMAN HONIGBERG:

17   Q       The engineering study is \$100,000.  The  
18          project, and I don't think we've asked what do  
19          we expect this project to be and how much do we  
20          expect it to cost, right?  We haven't asked  
21          that question.

22   A       (Frink) That's not in the record.

23   Q       Do we know?  Do we have a sense?

24   A       (St. Cyr) We have an estimate.

1 Q And what is that estimate?

2 A (St. Cyr) Three million dollars.

3 Q And the plan is to finance that \$3 million, and  
4 the \$100,000 will be part of that financing?

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

6 Q Is that -- do you have an expectation as to how  
7 that's going to be financed? Is it going to be  
8 all debt? Is it going to be a mixture of debt  
9 and equity?

10 A (St. Cyr) The current discussion is that it  
11 would be all debt.

12 Q So, we're going to move this company into a  
13 more debt situation, less equity, which would  
14 reduce their overall return. Am I right,  
15 Mr. Frink?

16 A (Frink) That's correct.

17 CHAIRMAN HONIGBERG: Okay.

18 BY CMSR. BAILEY:

19 Q Can anybody tell me how much revenue, annual  
20 revenue, a 0.5 percent adder generates?

21 A (St. Cyr) Not off the top of my head. But it  
22 could be calculated.

23 A (Frink) Well, yes. We have the -- let's look  
24 at Exhibit 10. If you -- right, we're



1 Q Okay. I have some questions about the  
2 engineering project, I just need to find them.  
3 Well, before I do that, I'll ask a question  
4 about when the rates go into effect.

5 Ms. Doucette, I heard you testify that the  
6 rates you charge you bill them starting the  
7 first of the month for last month, and that the  
8 rates were going to be effective on  
9 January 1st?

10 A (Doucette) Correct.

11 Q And so -- go ahead.

12 A (Doucette) Which would be billed at the end of  
13 January.

14 Q Oh. Okay.

15 A (Doucette) For the date of service beginning  
16 January 1st. So, the bill for January through  
17 January 31st will go out February 1st.

18 Q Okay. Thank you. All right. I understand  
19 that the 2018 plant additions are going to be  
20 audited by the Commission Staff, and you're  
21 going to give us a report. And did I  
22 understand the Settlement asks us to wait to  
23 issue an order until we get that report?

24 A (Descoteau) That was the original, I believe in

1 my original testimony that's what I had put in  
2 there, but not in the Settlement.

3 Q In the Settlement.

4 A (Descoteau) In the Settlement?

5 Q I read that somewhere today.

6 (Short pause.)

7 CMSR. BAILEY: All right.

8 MS. BROWN: Do you want me to direct  
9 the Commission's attention to the page?

10 CMSR. BAILEY: Yes.

11 MS. BROWN: I'm sorry. On Page 5 of  
12 12, Bates stamp 006, and it's in the middle of  
13 Paragraph 3.

14 CMSR. BAILEY: Thank you.

15 MS. BROWN: So, the sequencing is to  
16 wait for that report.

17 CMSR. BAILEY: That's it. That's the  
18 sentence.

19 MS. BROWN: Yes. Thank you.

20 CMSR. BAILEY: Thank you.

21 BY CMSR. BAILEY:

22 Q So, --

23 A (Descoteau) Yes.

24 Q Okay. Have you, Staff, looked at the capital

1 additions that were made?

2 A (Descoteau) Staff has not.

3 Q Okay. And the audit is a financial audit to  
4 make sure that the -- that the receipts match  
5 the capital investments that they're claiming?

6 A (Descoteau) They will also be looking at the  
7 invoices to make sure that they match what's  
8 been booked.

9 Q Okay. Who looks at whether the actual  
10 investment was prudent?

11 A (Descoteau) Well, we did look at that when the  
12 filing first came in, before audit looked at  
13 it, as part of the filing, when it first came  
14 in. Just to make sure that they were  
15 reasonable. They weren't costs that were out  
16 of the ordinary. That they were investments  
17 that made sense.

18 Q Okay. So, what kind of investments were they?  
19 To Mr. St. Cyr, can you tell me what kind of  
20 investments?

21 A (St. Cyr) So, if you look at Attachment B,  
22 Schedule 3, there were \$72,000 of estimated  
23 expenditures. And they consist of pumps,  
24 services, meters, etcetera.

1 Q And you testified that those investments were  
2 prudent?

3 A (St. Cyr) They are used and useful and  
4 providing service to customers.

5 Q And they're in service now?

6 A (St. Cyr) In service now, yes.

7 Q Okay. Thank you. And Staff, there's nothing  
8 on this page that gives you any reason to  
9 believe that these investments should not have  
10 been made?

11 A (Descoteau) Not at this time. But we're  
12 pending the audit to finalize those costs,  
13 because we want to make sure that the  
14 depreciation is correct and that the costs were  
15 booked correctly.

16 Q But that's an accounting analysis?

17 A (Descoteau) Correct.

18 Q We started to talk about the engineering study  
19 for the pressure reduction project. Can you  
20 tell me a little bit about what happens  
21 after -- well, okay. So, you're going to ask  
22 for a financing, when did you say, Mr. St. Cyr,  
23 that that was going to happen?

24 A (St. Cyr) Probably early 2019.

1 Q And that's going to be for the entire project?

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

3 Q And did I hear you imply that you were looking  
4 for us to determine that that investment was  
5 prudent before you -- as part of the financing  
6 docket?

7 A (St. Cyr) I didn't specifically ask that, no.

8 Q Okay. Because you know that we don't do that,  
9 we --

10 A (St. Cyr) I do. I also know that you're kind  
11 of looking behind the financing itself, to the  
12 investment, to make some judgment that the  
13 financing is, in fact, worthy of the investment  
14 being made now.

15 Q Okay. I'm not sure, I'm not making any  
16 judgment on that statement today. There was a  
17 discussion about when would we figure out  
18 whether you used the least cost solution to  
19 solve that problem, and will you do -- will the  
20 Company do that kind of analysis before they  
21 ask for a financing? Or do you already know  
22 what the solution is and you're just going to  
23 go forward with it?

24 A (St. Cyr) So, the Company knows that it has a

1 pressure problem, and has had discussions with  
2 its engineer about solutions to that. And  
3 that's what we would expect the engineer to  
4 look at and to address as part of their  
5 solution to the problem.

6 Q So, they may offer you more than one solution  
7 for different prices, different costs and  
8 benefits?

9 A (St. Cyr) It's quite possible, yes.

10 CMSR. BAILEY: Go ahead.

11 CMSR. GIAIMO: I'm sorry.

12 CMSR. BAILEY: Go ahead.

13 BY CMSR. GIAIMO:

14 Q I'm sorry. "It's quite possible" or part of  
15 the contract is they will have multiple  
16 solutions?

17 A (St. Cyr) It's my understanding is that they  
18 will have a solution, whether that's multiple  
19 solutions or not. We're trying to address a  
20 long-standing pressure problem that, really, up  
21 until Abenaki, has been known for probably two  
22 decades now and has not been addressed. So,  
23 we're trying to address what the problem is.

24 Q So, I'm going to take this opportunity, and I

[Doucette|St. Cyr|Chattopadhyay|Frink|Descoteau]

1 think Commissioner Bailey is all but finished.  
2 So, I did have some questions about the  
3 engineering. So, you said this is your  
4 engineer? This wasn't priced out? This was a  
5 single source RFP, if you will?

6 A (St. Cyr) Yes. I don't believe the Company put  
7 this out for bid, no. And they have done  
8 engineering work for us and would certainly be  
9 who we would talk to first.

10 Q And apparently last?

11 A (St. Cyr) Pardon me?

12 Q I was being -- strike that. Sorry. So, the  
13 contract went out on September 18th or that's  
14 when signed the contract with Horizons?

15 A (St. Cyr) Yes.

16 Q Okay. And it looks like their -- they have an  
17 estimated cost of "\$99,700". And it says  
18 "estimated fees". And as part of the contract,  
19 I'm looking on Page 41 of Exhibit 9, it says  
20 that it's an estimated cost. But I seem to  
21 recall the Settlement capped it at 100,000  
22 firm. How is that going to work? If the  
23 prices come in above estimate, does the Company  
24 assume those costs?

[Doucette|St. Cyr|Chattopadhyay|Frink|Descoteau]

1 A (St. Cyr) That's not specifically addressed.

2 Q Okay. If you give me a second, it's  
3 specifically addressed in the Settlement. I  
4 think Page Bates 010, Paragraph 3, --

5 A (St. Cyr) So, in paragraph -- this is Bates  
6 Page 010, Paragraph 2, it talks about the costs  
7 being "approximately 100,000", in Paragraph 3  
8 it talks about "the engineering designs shall  
9 not exceed 100,000". You know, that's the  
10 Company's goal, that it's not going to exceed  
11 100,000. And that's our expectation of Horizon  
12 or anybody else. To the extent that it were to  
13 come in more than that, and there were  
14 extenuating circumstances, we would expect to  
15 address that and deal with it at that time.

16 BY CHAIRMAN HONIGBERG:

17 Q Well, read the last sentence of Paragraph 3.  
18 It says: "The Settling Parties further agree  
19 and recommend the Commission approve that the  
20 requested cost for recovery associated with the  
21 engineering designs shall not exceed \$100,000."  
22 That implies to me that, if it's above 100,  
23 that's the Company. The Company will eat  
24 whatever is above 100, and the only recovery

1 sought would be for the 100.

2 You can agree or disagree with that, but  
3 that's one plausible reading, is it not?

4 A (St. Cyr) That's certainly a plausible reading,  
5 yes.

6 CMSR. GIAIMO: Thanks.

7 MS. BROWN: Mr. Chairman?

8 CHAIRMAN HONIGBERG: Ms. Brown.

9 MS. BROWN: I do have Don Vaughan  
10 here, and these are getting into forecasting of  
11 projects. And if you like to have him  
12 testify, --

13 CHAIRMAN HONIGBERG: I don't think  
14 that's necessary, unless Commissioner Giaimo  
15 wants to hear from him?

16 CMSR. GIAIMO: No. I wanted to hear  
17 about the price cap, and it sounds like --

18 CHAIRMAN HONIGBERG: I think the  
19 document speaks for itself.

20 MS. BROWN: We agree. Thank you.

21 CMSR. GIAIMO: Thanks.

22 BY CMSR. GIAIMO:

23 Q Mr. St. Cyr, in the last hearing, the prior  
24 hearing earlier today, I asked you about the

1 rates being charged. So, I'll again ask you  
2 the same question. How do you feel that the  
3 rates of Abenaki compare relative to the other  
4 small water companies in the state?

5 A (St. Cyr) So, I would call your attention to  
6 Attachment B, Schedule 4. This is the  
7 calculation of rates for both permanent and  
8 Step 1. And as I said earlier, it's a function  
9 of, you know, to the extent that the customer  
10 charge is low, the consumption charge is high.  
11 And that's essentially what I said this  
12 morning.

13 In this Company's case, these are higher  
14 than what we saw this morning, but certainly  
15 not high. And the consumption rate is a little  
16 bit higher than what we saw this morning, but  
17 again I would say not high. And overall, I  
18 would point out, even after these rate  
19 increases, the annual bill is 279.12, which I  
20 would say is on the low end for residential  
21 customers. And I talked this morning about,  
22 you know, on the low end, you probably have  
23 maybe a few that are at 300 or 400, and the  
24 high end you would have some companies at 800.

1           You know, these residential ratepayers, even  
2           after the rate increase, will be paying 279.12  
3           based on the average usage. So, I would say  
4           they're very low.

5    Q       All right. They've very low. Okay. I thought  
6           that was going to be your answer was they're  
7           quite low.

8                        In the next year or two, as the large  
9           \$3 million project potentially gets built, then  
10          we can expect those numbers obviously to  
11          increase significantly?

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

13   Q       Do we have an order of magnitude on that or --

14   A       (St. Cyr) So, the current, if you look at  
15          Attachment A, Schedule 1, the current *pro forma*  
16          rate base is just under 600,000. So, if you're  
17          looking at an addition of \$3 million, it would  
18          be a substantial increase in rates.

19   Q       Okay. As you may recall, earlier this morning  
20          I had some questions about the 50-point basis  
21          ROE adder. Most of that has been rectified  
22          with earlier discussion. But I'd like to hear  
23          the panel's thought, and while I appreciate  
24          Mr. Frink's suggestion that you need to look at

1           this as a global settlement, I'd like to hear a  
2           response to Mr. Getz's suggestion that the ROE  
3           adder is not necessarily appropriate, because  
4           the vast majority of the expert witness costs  
5           are already embedded in the rate case costs?

6   A       (St. Cyr) So, I can start.

7   Q       Sure.

8   A       (St. Cyr) The Company originally proposed 9.6,  
9           plus 2 percent, 11.6 percent. In terms of why  
10          the Settling Parties didn't just agree to  
11          something simple, like 9.6 plus two, the  
12          Company certainly would have been in favor of  
13          that.

14                 With respect to where we ended up, the  
15                 11.6 percent that the Company proposed we view  
16                 as the low end of the range that Ms. Ahern's  
17                 testimony supported. And we believe that the  
18                 overall rate of return, you know, is certainly  
19                 just and reasonable and, you know, within an  
20                 acceptable range for the Company. We didn't  
21                 look at the specifics that got us to that  
22                 point.

23                         CMSR. GIAIMO: Okay. Thank you.

24                         That's all the questions.

1 CHAIRMAN HONIGBERG: All the  
2 questions I had identified have been answered.

3 Do counsel have follow-up questions  
4 for the witnesses? Mr. Tuomala?

5 MR. TUOMALA: No.

6 CHAIRMAN HONIGBERG: You're saying  
7 "no". Mr. Kreis, your witness is gone. Do you  
8 have any follow-up questions for the panel?

9 MR. KREIS: Well, maybe. Can I just  
10 lay out a problem that I have?

11 I am looking at Bates Page 011 of the  
12 Settlement, and Paragraph 6, and the last two  
13 sentences.

14 CHAIRMAN HONIGBERG: We're having  
15 trouble hearing you.

16 MR. KREIS: Sorry. It helps if I  
17 turn this thing on, doesn't it?

18 The last two sentences in Paragraph 6  
19 say: "The parties agree to litigate the scope  
20 of the engineering design in the financing  
21 docket. The step adjustment shall be  
22 contingent on the approval of the financing."

23 Now, I heard Commissioner Bailey say  
24 "Well, wait a minute. We don't do prudence in

1 financing dockets." I can't cross-examine  
2 Commissioner Bailey, at least not under the  
3 current condition of the PUC's procedural  
4 rules. But that's a problem, I think. And I  
5 think I might need to ask the witnesses to  
6 opine about what they think "litigate the scope  
7 of the engineering design in the financing  
8 docket" really means, if there's no review for  
9 prudence. I don't know what else the review  
10 would be for.

11 CHAIRMAN HONIGBERG: Well, I know  
12 that Ms. Ross asked some questions of her  
13 witness on this. If you want to ask some  
14 questions on it, you may.

15 MR. KREIS: Thank you. I think my  
16 question is for Mr. Frink then.

17 **REDIRECT EXAMINATION**

18 BY MR. KREIS:

19 Q So, and it is exactly as I just put it to the  
20 Chairman, what does "litigate the scope of the  
21 engineering design in a financing docket" mean?

22 A (Frink) So, when they file the financing  
23 docket, they will have the proposed sources of  
24 funds and proposed uses of funds. And we'll

1 review those uses of funds to see if they're  
2 reasonable, and offer an opinion, a  
3 recommendation to the Commission regarding  
4 whether we consider those to be reasonable.  
5 And that is what I envision by "litigating"  
6 that issue, is that the Company and the Staff,  
7 the OCA, the intervenors will all have an  
8 opportunity to ask questions on the proposed  
9 use of funds, and have the opportunity to  
10 support the financing in light of their take,  
11 as to whether those sources of funds are  
12 reasonable.

13 And as far as recovery of the actual  
14 costs, that wouldn't be decided until they had  
15 a rate case, and those -- the project costs  
16 were reflected in the rate case.

17 Q So, you just used the word "reasonable". You  
18 heard Commissioner Bailey say "we don't do  
19 prudence reviews in financing dockets." How  
20 does a review for reasonableness differ from a  
21 review for prudence? It's a bit of a trick  
22 question.

23 A (Frink) It is.

24 Q Because I don't think you can distinguish those

1 two.

2 CHAIRMAN HONIGBERG: Ms. Ross.

3 MS. ROSS: Maybe I could try to  
4 clarify, because I think we keep confusing two  
5 separate financings. There is the financing  
6 that is referred to in the Settlement Agreement  
7 is for a loan to pay the cost of \$100,000 to an  
8 engineering --

9 CHAIRMAN HONIGBERG: That is not the  
10 testimony, Ms. Ross. Mr. St. Cyr has confirmed  
11 that is not the testimony. The testimony is  
12 that the financing that they're going to be  
13 bringing forward is the full multiple million,  
14 3 million, I think, of which 100,000 will be  
15 for Horizon.

16 WITNESS FRINK: That was not  
17 Staff's -- certainly not my understanding. I  
18 originally thought the financing was solely for  
19 the 100,000. This whole settlement was  
20 premised on they get to recover this \$100,000,  
21 if it's a prudent study. So, that --

22 CHAIRMAN HONIGBERG: Do we not have a  
23 meeting of the minds with respect to Step 2?

24 MS. ROSS: It would appear that we do

1 not.

2 MR. KREIS: Well, I would suggest  
3 that that's a bit of a problem then.

4 MS. ROSS: Yes.

5 MS. BROWN: I would advocate that we  
6 do have a meeting of the minds.

7 CHAIRMAN HONIGBERG: And what is that  
8 meeting, Ms. Brown?

9 MS. BROWN: We have a meeting of the  
10 minds on that the Step 2 100,000 that cannot be  
11 recovered until September 2019 is at issue.  
12 And that that issue is going to be resolved --  
13 or, discovered upon, investigated, litigated in  
14 the financing docket.

15 CHAIRMAN HONIGBERG: And the  
16 "prudence" question being answered with respect  
17 to Step 2 will be "was it reasonable to spend  
18 \$100,000 on that consultant?"

19 MS. BROWN: Correct.

20 CHAIRMAN HONIGBERG: There won't be  
21 any question in that at that time of whether  
22 the big expenditures that are planned were  
23 prudent, because they haven't been made.

24 MS. BROWN: Well, those, the

1 financing is also going to include those  
2 issues. But, for settlement here, the concern  
3 was "What do we do with Step 2?" And "Is there  
4 a time for the parties and Staff to review that  
5 100,000?" And we have agreed, all of us, that  
6 that 100,000 is going to be reviewed in the  
7 financing docket. There are other things that  
8 are going to be added in that docket. But I  
9 think we have a meeting of the minds here,  
10 although I'm seeing the witnesses of Staff --

11 MS. ROSS: Apparently, we may need to  
12 define the term "financing docket" then. I  
13 think that may be where the misunderstanding is  
14 coming. I think Staff thought it was talking  
15 about a financing docket to finance \$100,000  
16 for the study, not a financing docket to  
17 finance underlying projected improvements.

18 So, to the extent that that was the  
19 Company's view, we do not have a meeting of the  
20 minds.

21 CHAIRMAN HONIGBERG: All right.  
22 Well, there's a couple things we can do. One  
23 thing is set that issue aside, leave the record  
24 open for the parties to negotiate additional

1 language to clarify that. It's possible that  
2 your intervenors might be interested in having  
3 further discussions with you, and perhaps we  
4 end up with a global, all-parties settlement at  
5 the end of the day. We can also continue on  
6 with the other issues and try and wrap  
7 everything else up.

8 So, I mean, that's -- that's what I'm  
9 thinking. Ms. Brown has grabbed the mike --  
10 or, she turned her microphone off, actually.

11 Mr. Kreis, you look like you wanted  
12 to say something.

13 MR. KREIS: I feel queasy. Because,  
14 obviously, a settlement is a global resolution  
15 of all issues in a docket. So, you know,  
16 carving one issue out and saying "Oh, well,  
17 we'll figure that out later" is very  
18 problematic for us.

19 CHAIRMAN HONIGBERG: We're not  
20 talking about later. We're talking about,  
21 like, right away. I mean, we're not approving  
22 anything until it's nailed down. So, --

23 MR. KREIS: Right. But so the  
24 problem you have right now is that it appears

1           that what looked like a settlement maybe not be  
2           a settlement, because the parties don't  
3           actually agree on the Settlement terms. So,  
4           that's a problem. It's a problem that suggests  
5           that maybe this hearing shouldn't go further  
6           until we resolve it.

7                         CHAIRMAN HONIGBERG: That may be  
8           true. But we have everybody here. So, I'd  
9           like to do as much as we can while we're here.  
10          And if we have to come back another day, that's  
11          fine. But, if we can get ourselves all the way  
12          down the track, and there's an issue that can  
13          be resolved on paper, I think most people would  
14          be happy with that. So, there may be other  
15          issues that you all want to explore with the  
16          witnesses.

17                         We could break and see if you can  
18          work it out in 10 minutes, 15 minutes, but --

19                         MR. KREIS: At the pace we were  
20          working today, that seems unlikely.

21                         CHAIRMAN HONIGBERG: Off the record.

22                                 *[Brief off-the-record discussion*  
23                                 *ensued.]*

24                         CHAIRMAN HONIGBERG: All right.

1 We're back on the record. Ms. Brown?

2 MS. BROWN: If you want the Staff and  
3 the parties to caucus for 15 minutes, I think  
4 we can resolve this. But I'd also like to  
5 mention that the 3 million is not something  
6 that we can adjudicate in this proceeding,  
7 because we don't -- it's still in the  
8 formulation stage. The only thing that's firm  
9 is 100,000. So, that's --

10 CHAIRMAN HONIGBERG: And I think  
11 that -- I understand what you said, Ms. Brown.  
12 And I think, when you guys have a discussion  
13 about it, you'll be able to figure out a way to  
14 maybe change the wording so that it's not  
15 unclear. Ms. Ross has suggested one way to  
16 approach it. I know that -- I'm sure Mr. Getz  
17 and Mr. Kreis and Mr. Mueller, when they put  
18 their -- everyone's heads together, you will  
19 come up with something that makes sense and is  
20 clear.

21 Why don't we take a break for 15  
22 minutes and see if you all can work that out.

23 *(Recess taken at 3:12 p.m. for*  
24 *the Parties, OCA, and Staff to*

1                   *confer, and the hearing resumed*  
2                   *at 3:27 p.m.)*

3                   CHAIRMAN HONIGBERG: So, what's the  
4                   good word?

5                   MS. BROWN: Thank you for the caucus.  
6                   How many parties -- I just need to figure out  
7                   how many parties. I know Staff, OCA, and the  
8                   Company agreed to modify the language. I don't  
9                   know if we have Omni onboard.

10                  MR. GETZ: Well, we haven't seen the  
11                  end result. I think we were okay with where  
12                  the concept was heading.

13                  MS. BROWN: Let me read what we are  
14                  agreeing to, how to modify Paragraph 6. And  
15                  this is on Page 10 of 12 of the Settlement  
16                  Agreement, Exhibit 9, and it's Bates stamped  
17                  Page 011. We request to strike the first  
18                  complete sentence of Paragraph 6. We propose  
19                  modifying the second sentence of Paragraph 6 to  
20                  read as follows: "The parties agree to  
21                  litigate the scope of the engineering design in  
22                  the present docket." And we propose to modify  
23                  the third sentence as follows: "The step  
24                  adjustment will be contingent upon the

1 Commission's approval of the engineering  
2 design."

3 And then we add another sentence that  
4 states that "Staff and the parties will develop  
5 a procedural schedule for Commission review and  
6 approval and expect to file that within ten  
7 days."

8 *[Court reporter interruption and*  
9 *brief off-the-record*  
10 *discussion.]*

11 CHAIRMAN HONIGBERG: Mr. Getz.

12 MR. GETZ: I just was hoping to make  
13 clear that that last sentence is no longer part  
14 of this. It's moot, correct?

15 *(Short pause.)*

16 CHAIRMAN HONIGBERG: Okay. So, where  
17 are we then?

18 MS. BROWN: I think Staff and the  
19 parties -- the Settling Parties respectfully  
20 request that the Commission consider that  
21 modification to Paragraph 6 and approve it,  
22 along with its approval of the Settlement  
23 Agreement.

24 CHAIRMAN HONIGBERG: Read me the last

1 sentence, the new sentence that you added.

2 MS. BROWN: The new sentence,  
3 hopefully I can read it verbatim: "The  
4 parties" -- "Staff and the parties will  
5 develop a procedural schedule" --

6 CHAIRMAN HONIGBERG: Slower, slower.

7 MS. BROWN: "Staff and the parties  
8 will develop a procedural schedule for the  
9 Commission's review and approval, and that  
10 schedule will be submitted within ten days."

11 CHAIRMAN HONIGBERG: So, you're -- we  
12 would approve this Agreement, and that would  
13 allow -- that would allow things to proceed.  
14 We'd get a schedule for the specific review of  
15 the engineering design? That's what you just  
16 said?

17 MS. BROWN: Correct. This is  
18 pertaining to the engineering design, which was  
19 subject to the discussion about Step 2. And  
20 that Step 2 goes into effect or, you know, the  
21 filing needs to be made by September 2019.

22 CMSR. BAILEY: And so, the revenue  
23 requirement increase in Step 2 would just be  
24 \$100,000?

1 MS. BROWN: No more than.

2 CHAIRMAN HONIGBERG: And that was  
3 always the intention?

4 MS. BROWN: Correct.

5 CMSR. BAILEY: Thank you.

6 CHAIRMAN HONIGBERG: Mr. Kreis.

7 MR. KREIS: I am happy with that  
8 resolution. I apologize for kicking up this  
9 big fuss. But I think it is important and  
10 useful to resolve what was previously a  
11 misunderstanding/ambiguity in the Settlement.

12 CHAIRMAN HONIGBERG: No. I think  
13 it's pretty clear there was not agreement about  
14 what was happening here.

15 Staff's okay with that?

16 MS. ROSS: Yes. As Staff understands  
17 it now, we have essentially done what you  
18 invited us to, which is to peel this off to  
19 some degree to allow the process to continue  
20 with regard to scrutinizing this engineering  
21 design proposal, and then requiring the  
22 Commission to actually sign off on that design  
23 before the Company moves forward with it. And  
24 so, I believe this language that we've agreed

1 to accomplishes that.

2 CHAIRMAN HONIGBERG: All right.

3 MS. ROSS: It means that the order  
4 you issue on the Settlement Agreement will not  
5 need to approve that step, because that step  
6 will still be contingent on some additional  
7 process.

8 CHAIRMAN HONIGBERG: Okay. So, Mr.  
9 Getz, thoughts? You're now ready to sign onto  
10 the entire Settlement?

11 MR. GETZ: No, Mr. Chairman.

12 CHAIRMAN HONIGBERG: It's too much to  
13 hope for. Off the record.

14 *[Brief off-the-record discussion*  
15 *ensued.]*

16 CHAIRMAN HONIGBERG: So, you were  
17 saying?

18 MR. GETZ: We have not reached  
19 agreement on the other issues.

20 CHAIRMAN HONIGBERG: Okay.

21 MR. GETZ: But we do agree with this  
22 change, with respect to the second step and the  
23 project cost design.

24 CHAIRMAN HONIGBERG: Okay.

1 Mr. Mueller?

2 MR. MUELLER: Same as Mr. Getz.

3 CHAIRMAN HONIGBERG: Okay. So,  
4 circling back to where we were, other questions  
5 for the panel from counsel?

6 MR. KREIS: None from me.

7 CHAIRMAN HONIGBERG: All right. Ms.  
8 Brown?

9 MS. ROSS: I would suggest that we  
10 hold open an exhibit for this reformed language  
11 to be entered in this docket.

12 CHAIRMAN HONIGBERG: All right. We  
13 will reserve Exhibit 11 for the revision.

14 *(Exhibit 11 reserved.)*

15 MS. ROSS: And we'll circulate that  
16 among the parties before. Give us a week to  
17 get it done and filed, so we can make sure that  
18 everyone is onboard.

19 CHAIRMAN HONIGBERG: Okay. And  
20 you'll be able to fix the changes that Ms.  
21 Descoteau identified at the beginning of her  
22 testimony?

23 MS. ROSS: Yes. We could actually  
24 correct the Settlement Agreement in that

1 regard, and then --

2 CHAIRMAN HONIGBERG: And you could  
3 get signatures on it.

4 MS. ROSS: Yes, we could do that.  
5 And there was one other correction I believe  
6 on --

7 CHAIRMAN HONIGBERG: Schedule --

8 MS. ROSS: Yes. To add on Schedule  
9 A, which is Exhibit 10, the dropped line. So  
10 that will also be in part of that Exhibit 11,  
11 and it will be a couple of corrected documents.

12 CHAIRMAN HONIGBERG: All right. That  
13 will all be good.

14 All right. Now, Ms. Brown, do you  
15 have further questions for the panel?

16 MS. BROWN: No.

17 CHAIRMAN HONIGBERG: Staff, do you  
18 have any further questions for the panel?

19 MS. ROSS: No, we do not.

20 CHAIRMAN HONIGBERG: All right. Is  
21 there anything else we need to do before we do  
22 the wrap-up things?

23 *[No verbal response.]*

24 CHAIRMAN HONIGBERG: Okay. Without

1 objection, we will strike ID on Exhibits 3, 4,  
2 5, 7, but not as testimony, 8, 9, 10. We're  
3 reserving 11. I didn't say either "2" or "6",  
4 because I don't believe that either 2 or 6 was  
5 referenced or used in any way.

6 MR. KREIS: I believe  
7 Dr. Chattopadhyay briefly alluded to  
8 Ms. Ahern's testimony. I don't need either of  
9 the ROE experts' testimony admitted as  
10 testimony, but they did --

11 CHAIRMAN HONIGBERG: Mr. Getz asked  
12 specific questions about Dr. Woolridge's  
13 testimony, and he was making reference to  
14 specific things in it. I think it's pretty  
15 clear that he used it in that way. So, we're  
16 not striking ID on 2 and 6; everything else is  
17 struck. And so, those are all full exhibits.

18 Mr. Getz.

19 MR. GETZ: I understood earlier that  
20 you were not going to strike the IDs on Ahern  
21 and Woolridge as testimony because they weren't  
22 here, that they were going to be made part of  
23 the record as other documents.

24 CHAIRMAN HONIGBERG: Well, that was

1 definitely true of Woolridge. Woolridge is not  
2 in as testimony. If you want Ahern in as just  
3 a document, that's fine. I didn't think  
4 anybody used it in any significant way.

5 MR. GETZ: No. I just thought they  
6 should be treated the same.

7 CHAIRMAN HONIGBERG: Okay. That's  
8 fine with me, if no one has an objection?

9 *[No verbal response.]*

10 CHAIRMAN HONIGBERG: We'll strike ID  
11 on 6 as not testimony, but as a document that's  
12 relevant to what's going on here.

13 Anything else?

14 *[No verbal response.]*

15 CHAIRMAN HONIGBERG: Okay. Let's  
16 start then with Mr. Getz, then Mr. Mueller.

17 MR. GETZ: Thank you, Mr. Chairman.  
18 Tolstoy said that "Every unhappy family is  
19 unhappy in its own way", and it seems that  
20 every water case is peculiar in its own way.  
21 And this case poses some notable hurdles, I  
22 believe, to approval of the Settlement.

23 First, words matter. In the  
24 Settlement document, under ROE, it speaks to

1 the avoiding of the costs of rate case  
2 expenses. That doesn't reflect the reality of  
3 what has actually happened in this case. And  
4 the Agreement also points to a hypothetical  
5 capital structure, which I don't think has been  
6 demonstrated as appropriate. And there's no  
7 ROE testimony in this case.

8 So, I think the Commission is  
9 confronted with "how does it independently  
10 determine the reasonableness of the rates?"  
11 And in many cases, in almost every case where  
12 the Commission discusses settlement agreements,  
13 you know, it observes in the context where all  
14 the parties are in agreement and needs to  
15 independently determine the reasonableness of  
16 the rates. And here, not all the parties are  
17 in agreement, and there are holes in the  
18 demonstration of the reasonableness of the  
19 rates.

20 And so, for Omni, we've made clear  
21 why we did not agree with the issues related to  
22 ROE and capital structure, and that's why we  
23 did not sign onto the Settlement Agreement,  
24 though we agreed in large part with most every

1 other element.

2 And so, that's the Company's  
3 position.

4 CHAIRMAN HONIGBERG: Mr. Mueller.

5 MR. MUELLER: Speaking for BWPOA, we  
6 didn't sign on either due to our disagreement  
7 on ROE, the *pro forma* capital structure, and  
8 the rate design. I've asked all my questions  
9 related to that, so I don't have anything  
10 further.

11 CHAIRMAN HONIGBERG: Thank you,  
12 Mr. Mueller. Mr. Kreis.

13 MR. KREIS: Thank you, Mr. Chairman.  
14 I'm a little chagrined, because I'm usually the  
15 guy that offers up the gratuitous literary  
16 references. I've read *Anna Karenina*, and I do  
17 feel like, in some respects, I'm leaping in  
18 front of a train by supporting this Settlement  
19 Agreement. But nevertheless I do, for the  
20 following reasons, and many of them have been  
21 highlighted here.

22 This Settlement Agreement does some  
23 important things from the standpoint of the  
24 OCA. One is, it vastly improves the rate

1 design that the Company originally proposed,  
2 and Dr. Chattopadhyay testified to that very  
3 persuasively. And I think, from our  
4 standpoint, when we look at rate cases, we  
5 consider improvements to rate design to be  
6 significant gains for the residential customers  
7 that we represent.

8 I think the last colloquy about  
9 resolving what was previously an ambiguity in  
10 the Settlement Agreement was really important  
11 and is critical to our support of the  
12 Settlement Agreement. It is very important  
13 that the Company address the high water  
14 pressure problem that it has in a reasonable,  
15 prudent, and least cost way. And if I'm  
16 understanding the results of all of this  
17 correctly, the Company has agreed to do that.  
18 It's not simply going to move ahead with a  
19 project that won't be scrutinized skeptically.  
20 And I am reasonably confident that a result of  
21 this docket ultimately will be that the Company  
22 addresses this serious engineering problem that  
23 it has in a manner that is prudent, and  
24 therefore results in just and reasonable rates

1 for the Company.

2 There is one little piece of this  
3 that I would like to clarify. Paragraph 3, on  
4 Bates Page 010 of the Settlement, refers to  
5 "engineering designs that shall not exceed  
6 \$100,000". The Company's testimony was, with  
7 respect to whether the Company would eat any  
8 expenditures in addition to 100 -- or, in  
9 excess of \$100,000, the Company's testimony was  
10 that's "one plausible reading". I think  
11 there's only one possible reading, and "shall  
12 not exceed" really does mean "shall not  
13 exceed", and that's what we think the  
14 Settlement Agreement says.

15 With respect to return on equity,  
16 obviously, that's a very important issue for  
17 all of us, for the OCA. And I rely on  
18 Dr. Chattopadhyay's testimony that the ultimate  
19 answer in this case, regardless of whether you  
20 think of the ultimate answer as the actual ROE  
21 that was agreed upon or the imputed ROE that  
22 was agreed upon, after making some changes to  
23 the Company's capital structure, that answer is  
24 just and reasonable, because it compares well

1 to other reasonable ROEs that we analyze for  
2 companies in similar situations. It comports  
3 well with what other analysts have come up  
4 with, including the other analysis that is in  
5 the exhibits that have been now admitted into  
6 the record.

7 And so, overall, this Agreement is  
8 just and reasonable. The Commission should  
9 approve it. This is a small company, and there  
10 are relatively small sums in real terms at  
11 stake. And so, from our standpoint, as we  
12 thought about the drive to settlement,  
13 resolving issues and allowing them to be  
14 non-litigated, seemed like a prudent use of our  
15 resources and everybody else's. And fighting  
16 over numbers that are in the four digits,  
17 rather than the eight digits, seemed like a not  
18 useful use of everybody's time.

19 So, therefore, given the totality of  
20 the circumstances, and the fact that  
21 settlements are all about compromise, and just  
22 and reasonable rates include a return on equity  
23 that lands somewhere in a zone of  
24 reasonableness, we think this Settlement

1 Agreement is an appropriate one, and results in  
2 just and reasonable rates, and therefore we  
3 recommend that the Commission approve it.

4 CHAIRMAN HONIGBERG: Mr. Tuomala.

5 MR. TUOMALA: Thank you, Mr.  
6 Chairman. Staff appreciates the efforts put  
7 forth by the Office of the Consumer Advocate  
8 and the Company in these Settlement  
9 proceedings.

10 And basically, based on the testimony  
11 today of the witnesses that the resulting rates  
12 are just and reasonable, Staff recommends that  
13 the Commission adopt the Settlement Agreement,  
14 once the corrections are submitted for final  
15 approval.

16 Thank you.

17 CHAIRMAN HONIGBERG: Ms. Brown.

18 MS. BROWN: Good afternoon. Thank  
19 you, Commissioners, for your consideration of  
20 the global settlement presented today.

21 Although this is a small water  
22 system, the issues are not small. Staff, the  
23 OCA, and the Company have spent a great deal of  
24 the time reviewing the Company's financials,

1 propounding and answering data requests, and  
2 the Company has also responded to requests from  
3 the Commission's Audit Department. So, we feel  
4 it's had a thorough vetting.

5 The Company entered this rate  
6 proceeding with an earnings deficiency, and  
7 now, through this Settlement, the Company hopes  
8 to earn its allowed rate of return and achieve  
9 a revenue requirement that allows it to  
10 continue to improve Rosebrook.

11 As the witnesses have testified, the  
12 Company focuses on the end product, not  
13 necessarily how we got through the nuances of  
14 the ROE calculations. The Company is focused  
15 on the bottom line and is pleased with the end  
16 product.

17 Since acquiring Rosebrook, Abenaki  
18 has brought its expertise to this water system.  
19 And Abenaki has improved how Rosebrook collects  
20 its meter readings, improved operations, and  
21 addressing its capital needs.

22 In particular, you heard today that  
23 the Company will be pursuing its step increase  
24 to address the severe high pressure situation,

1 and Abenaki is pleased to show constructive  
2 evidence, such as capital improvements planned,  
3 such as the pressure reduction -- or, pressure  
4 reduction project, of how its ownership of  
5 Rosebrook continues to be for the public good.  
6 Abenaki plans to continue to bring Rosebrook up  
7 to the level of a reliable -- bring up the  
8 level of reliable operation of this Company.

9 And again, thanks -- the Company  
10 thanks OCA, Staff for its support of the  
11 Company's efforts. And again, we recommend and  
12 request the Commission approve the global  
13 settlement reached today.

14 And thank you for your time.

15 CHAIRMAN HONIGBERG: All right. With  
16 that, we will leave the record open for  
17 Exhibit 11. We will also be looking for the  
18 audit that is described in there. And as soon  
19 as everything is in, we will issue an order as  
20 quickly as we can. We are adjourned.

21 ***(Whereupon the hearing was***  
22 ***adjourned at 3:47 p.m.)***