

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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13 APR '18 @9:45

March 29, 2018 - 10:10 a.m.
Concord, New Hampshire

RE: DW 17-176
LAKES REGION WATER COMPANY, INC./
WILDWOOD WATER COMPANY, INC.:
Petition to Transfer Utility Assets
and Franchise and for Related
Approvals. (Hearing on the merits)

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

Sandy Deno, Clerk

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

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Alexander F. Speidel, Esq.
Jayson Laflamme, Asst. Dir./Gas&Water
Robyn Descoteau, Gas & Water Division

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

**CERTIFIED
ORIGINAL TRANSCRIPT**

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I N D E X

PAGE NO.

**WITNESS PANEL: THOMAS B. MASON, JR.
 JAYSON P. LAFLAMME**

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E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Petition to Transfer Utility Assets and Franchise and for Related Approvals, with attachments	<i>premarked</i>
2	Settlement Agreement, including attachments (03-15-18)	<i>premarked</i>
3	Asset Check Up Report (01-22-18)	<i>premarked</i>

P R O C E E D I N G

1
2 CHAIRMAN HONIGBERG: We are here this
3 morning in Docket DW 17-176, which is Lakes
4 Region Water Company's acquisition of Wildwood
5 Water. And this is the hearing on the merits.
6 We have a Settlement Agreement that I believe
7 was filed. Yes.

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

10 MR. RICHARDSON: Thank you. Good
11 morning, Commissioners. Justin Richardson,
12 with Upton & Hatfield, here for Lakes Region
13 Water. I have President Tom Mason with me at
14 counsel's table.

15 I understand that the President of
16 Wildwood was unfortunately unable to make it
17 today. And we sent out an e-mail to the
18 parties yesterday, but he did -- we did send
19 that out to them. Thank you.

20 MR. KREIS: Good morning.
21 Representing residential utility customers,
22 very happy that it's Opening Day, so that I can
23 think about the Red Sox, and don't have to hear
24 about the Patriots anymore for a while, I'm D.

1 Maurice Kreis, the Consumer Advocate.

2 MR. SPEIDEL: Good morning,
3 Commissioners. Alexander Speidel, representing
4 the Staff of the Commission. And I have with
5 me Jayson Laflamme, the Assistant Director of
6 the Gas & Water Division, and also Robyn
7 Descoteau, a Utility Analyst of the Gas & Water
8 Division.

9 CHAIRMAN HONIGBERG: All right. How
10 are we proceeding this morning?

11 MR. RICHARDSON: It's my
12 understanding that we're going to proceed by --
13 is in a panel with Mr. Mason and Jayson
14 Laflamme.

15 CHAIRMAN HONIGBERG: And there's
16 nodding heads on the other side of the room.
17 So, that's encouraging.

18 MR. RICHARDSON: And it's a pretty
19 short presentation. There's no opposition to
20 this. It's really -- Lakes Region's primary
21 goal is to just talk about the system and what
22 Lakes Region plans to do, so the Commission is
23 kind of aware of, you know, what the next steps
24 will be.

[WITNESS PANEL: Mason|Laflamme]

1 CHAIRMAN HONIGBERG: There are three
2 documents that have been put up on the Bench
3 labeled "Exhibit 1", "Exhibit 2", and
4 "Exhibit 3". Have they been marked already
5 with the Clerk?

6 MR. RICHARDSON: Correct.

7 CHAIRMAN HONIGBERG: All right. And
8 you'll have the witnesses describe them and
9 tell us about them?

10 MR. RICHARDSON: Correct.

11 CHAIRMAN HONIGBERG: All righty. Why
12 don't we have the witnesses take the stand.

13 Off the record.

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

16 (Whereupon **Thomas B. Mason, Jr.**
17 and **Jayson P. Laflamme** were duly
18 sworn by the Court Reporter.)

19 CHAIRMAN HONIGBERG: Mr. Richardson.

20 MR. RICHARDSON: Thank you.

21 **THOMAS B. MASON, JR., SWORN**

22 **JAYSON P. LAFLAMME, SWORN**

23 **DIRECT EXAMINATION**

24 BY MR. RICHARDSON:

{DW 17-176} {03-29-18}

[WITNESS PANEL: Mason|Laflamme]

1 Q Good morning, Mr. Mason. Could you just please
2 state and spell your name for the record and
3 your position with the Company.

4 A (Mason) My name is Thomas Mason, T-h-o-m-a-s --
5 MR. SPEIDEL: Mr. Mason, your
6 microphone.

7 WITNESS MASON: Oh, I'm sorry.

8 **BY THE WITNESS:**

9 A (Mason) My name is Thomas Mason, T-h-o-m-a-s,
10 Mason, M-a-s-o-n. And I'm the President of
11 Lakes Region Water.

12 BY MR. RICHARDSON:

13 Q You have Exhibits 1 through 3 in front of you,
14 correct?

15 A (Mason) I do.

16 Q All right. What is Exhibit 1?

17 A (Mason) Exhibit 1 is the Petition.

18 Q And that also includes the Asset Purchase
19 Agreement with Wildwood Water Company, right?

20 A (Mason) Yes.

21 Q And on the Petition, I think beginning at Page
22 3, it starts to explain the capabilities and
23 the benefits Lakes Region will provide for the
24 system?

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[WITNESS PANEL: Mason|Laflamme]

1 A (Mason) Yes.

2 Q Do you understand me? And there's "Increased
3 Experience", is that -- that's the first one on
4 Page 3 of Exhibit 1?

5 A (Mason) Yes. We specialize -- we have 18
6 different water systems. We specialize in
7 small water systems like this.

8 Q And I believe the next bullet is "Technical,
9 Emergency, and Administrative Support"?

10 A (Mason) Yes. We're set up with a 24-hour
11 answering service. We have telemetry for all
12 of our water systems. Multiple staff members
13 capable of repairing anything that can come up.

14 Q And then the next is "Improved Efficiencies and
15 Economies of Scale"?

16 A Yes. I mean, this particular system is roughly
17 a 50-unit single-family dwelling place. And
18 it's within our footprint of the areas that we
19 take care of. So, literally, within five
20 miles, there's a couple of other water systems
21 that we already have.

22 Q And then, the last bullet, on Page 4, is, in
23 essence, access to reduced capital or lower
24 cost debt, to paraphrase that, is that true?

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[WITNESS PANEL: Mason|Laflamme]

- 1 A (Mason) Yes. Definitely.
- 2 Q Okay. And those statements in the Petition are
3 true and accurate to the best of your knowledge
4 and belief?
- 5 A (Mason) Yes.
- 6 Q Okay. And you adopt those as your testimony
7 today, essentially?
- 8 A (Mason) Yes, I do.
- 9 Q Okay. What is Exhibit 2?
- 10 A (Mason) Exhibit 2 is the Settlement Agreement.
- 11 Q Now, beginning at Page -- Page 8 of Exhibit 2,
12 on the bottom you see the number, Page 8?
- 13 A (Mason) Uh-huh.
- 14 Q I understand those are the data request
15 responses that Lakes Region prepared?
- 16 A (Mason) Yes.
- 17 Q And those were prepared by Ms. Valladares, the
18 Company's Utility Manager, right?
- 19 A (Mason) That is correct.
- 20 Q Okay. But you've discussed those with her?
- 21 A (Mason) Yes.
- 22 Q And she would agree, I assume, with your
23 testimony that these are true and accurate?
- 24 A (Mason) Yes, she would.

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[WITNESS PANEL: Mason|Laflamme]

1 Q Okay. And you also were there when these
2 requests were discussed at the technical
3 sessions?

4 A (Mason) Yes, I was.

5 Q Okay. Now, I'm going to ask you one
6 clarification, but these data responses are
7 true and accurate --

8 A (Mason) Yes.

9 Q -- to the best of your knowledge and belief?

10 A (Mason) Yes, they are.

11 Q Okay. Let's turn to number 1-10 in Exhibit 2.
12 And that is on Page 27, at the bottom.

13 A (Mason) Yup. Got it.

14 Q And you'll see it says, on Page 27, "Does LRWC
15 plan to hire additional personnel due to the
16 acquisition of Wildwood?"

17 A (Mason) The answer is "no". We're not -- we
18 are planning or we've been looking actively for
19 the last six months for another person for out
20 in the field. But it had nothing to do with
21 purchasing Wildwood.

22 Q And in fact, you already interviewed one
23 candidate?

24 A (Mason) We've interviewed a few people. We're

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[WITNESS PANEL: Mason|Laflamme]

1 looking for the right person. We haven't found
2 him yet, we don't think. But we're actively
3 looking.

4 Q And that's due to a departure that occurred
5 prior to this, right?

6 A (Mason) Right. That's correct.

7 Q And when was that?

8 A (Mason) It was -- I think it was the beginning
9 of 2017, or late in 2016, when that person
10 left.

11 Q It was around the time of the temporary hearing
12 in Docket 15-209, the rate case, right?

13 A (Mason) I believe so, yes.

14 Q Okay. And I'll represent to you that was
15 January of '16?

16 A (Mason) Oh, was it that early? Okay. All
17 right. I'm sorry, my dates are wrong.

18 Q Okay. All right. Let's move to Exhibit -- oh,
19 well, just to clarify, I don't know if I asked
20 you this, but that subject to that
21 clarification, the responses to data requests
22 are true and accurate, correct?

23 A (Mason) Oh, yes, they are.

24 Q Okay. What is Exhibit 3?

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[WITNESS PANEL: Mason|Laflamme]

1 A (Mason) Exhibit 3 is a paper that's put out by
2 the EPA called "CUP\$\$". And it's kind of a
3 generic overview of any water system, and you
4 fill in the data, and it kind of gives you a
5 recommendation, a fairly simple recommendation
6 of what should be done with the water system.

7 Q Uh-huh. And the first page states it's
8 prepared by Ms. Valladares and Justin Benes?

9 A (Mason) Yes.

10 Q And who is Mr. Benes?

11 A (Mason) Justin is our outside Utility Manager,
12 as far as the day-to-day operations of the
13 water system. He's the one that maintains
14 them, the head maintenance person.

15 Q Okay. And the -- let me flip here. So, let's
16 turn to -- I wanted you to explain to the
17 Commission what is shown on Pages 6 and 7 of
18 Exhibit 3.

19 A (Mason) Okay. On Page --

20 CHAIRMAN HONIGBERG: Before you do
21 that -- before you do that, Mr. Richardson, I
22 just got to ask you to ask the witness what it
23 means that in about an inch-high letters at the
24 bottom of every page it says "EXAMPLE".

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[WITNESS PANEL: Mason|Laflamme]

1 MR. RICHARDSON: Sure.

2 BY MR. RICHARDSON:

3 Q Mr. Mason, do you know the answer to that?

4 A (Mason) I really don't. I think it's a
5 generic -- these are fairly generic. You know,
6 she loaded in what they asked for, and this is
7 what was printed out from the EPA manual, or
8 wherever she got it, I'm not really sure. I
9 don't know why "EXAMPLE" is on the bottom.

10 MR. RICHARDSON: I'll represent that,
11 during the technical session, this was provided
12 to Staff. And the explanation from
13 Ms. Valladares was is that this is based upon
14 assumptions for in-service dates, and then it
15 predicts a schedule of, basically, life
16 retirements or life expectancies. So, it's not
17 based on the input of the actual property
18 records, where you know this is in service on
19 this particular date.

20 So, there's a lot of assumptions that
21 are built into this. So, we wanted to make
22 sure that it wasn't treated as if it were a
23 final document, but rather just a model.

24 BY MR. RICHARDSON:

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[WITNESS PANEL: Mason|Laflamme]

1 Q And, Mr. Mason, does that, my statement or
2 explanation, sound correct to you?

3 A (Mason) It sounds like -- yes, because it's a
4 very basic general overview of a water system.

5 Q Okay.

6 CHAIRMAN HONIGBERG: Sorry to break
7 your flow.

8 MR. RICHARDSON: No, no. That's
9 fine.

10 BY MR. RICHARDSON:

11 Q Do you see on Page 6 there's four boxes, where
12 there's one axis that says "Consequence of
13 Failure" and the "Probability of Failure"?

14 Do you have Page 6 in front of you?

15 A (Mason) Oh, yes. Yes. I'm sorry.

16 Q And then there are numbers, and you'll see
17 that, with the exception of number 7 and 8, all
18 of the categories fall in the "High Risk"
19 category, is that right?

20 A (Mason) That is correct.

21 Q Okay. And then, when you look at Page 7,
22 you'll see the corresponding numbers for each
23 system component, and you have numbers 1
24 through 8, right?

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[WITNESS PANEL: Mason|Laflamme]

1 A (Mason) Correct.

2 Q Okay. And so, is it your understanding that
3 Items 1 through 6 are in the "High Risk"
4 category, due to their system age or life
5 expectancy?

6 A (Mason) Yes. I mean, they're definitely --
7 this is an older system that has been, not
8 neglected, but it definitely hasn't been
9 updated over the years. All these old systems,
10 these old developer-built systems are in need
11 of a lot of repairs, typically, when we get
12 them.

13 Q Uh-huh. And why not have a capital
14 improvements plan prepared today, in light of
15 this information?

16 A (Mason) Basically, because we don't have a lot
17 of history on this. I mean, other than talking
18 to Mr. Quint about what he has experienced, we
19 don't have any real-time experience with the
20 system yet.

21 So, what we typically do is go in, if
22 there's any mandated issues with the DES, then
23 we take care of those. But, in this case,
24 there isn't. And then we kind of monitor the

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[WITNESS PANEL: Mason|Laflamme]

1 system, add a few things that we want to make
2 it easier to run and to get a little bit more
3 data, and watch the system for between six to
4 twelve months to see what is the issues that
5 are -- that come forward over that time.

6 Q Uh-huh. Let's turn briefly to Exhibit 2,
7 Page 16, which is the response to Data Request
8 1-6 on Exhibit 2.

9 A (Mason) Did you say "Page 16"?

10 Q Page 16, at the bottom of Exhibit 2, correct.

11 A (Mason) Got it. Okay. Here it is.

12 Q And you'll see, at the last section at the
13 bottom of that page "Some known items that will
14 be upgraded in year one are as follows:" And
15 could you explain to the Commission what those
16 items are?

17 A (Mason) Sure. It's electronic metering, you
18 know, for water, to keep track of how much
19 water they're using on a daily basis in the
20 system. And then a Generating Solutions unit,
21 which is a telemetry unit that sends data back
22 to our -- it's basically a SCADA system that
23 sends data back to the office, and so we can
24 keep an eye on it 24/7. And then the

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[WITNESS PANEL: Mason|Laflamme]

1 transducers are just -- I don't know why
2 they're actually separate, but they're part of
3 the telemetry system.

4 Q Uh-huh. And how does the telemetry system help
5 you evaluate the system's performance?

6 A (Mason) Well, we just know, we've actually had
7 situations before where we've taken over water
8 systems, and then we find out afterwards that,
9 you know, people have, on Saturday mornings,
10 from 9:00 to 11:00, didn't have water for
11 years. And they just lived with it. They
12 never told anybody or did anything else. And
13 when we took them over, we found out that, you
14 know, through telemetry and other things, that
15 there were issues going on at different times
16 of the day that we needed to address that
17 people just -- I guess they were so used to
18 them, they didn't worry about them.

19 Q Okay. So, and I assume it's a benefit to the
20 customers not to just rush in and replace all
21 of the system components that are currently
22 listed as "over due"?

23 A (Mason) Oh, definitely.

24 Q And why is that?

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[WITNESS PANEL: Mason|Laflamme]

1 A (Mason) Because a lot them probably won't need
2 replacing. The system itself, if it was
3 installed correctly, it's probably okay, as far
4 as the water mains. We don't know. We don't
5 have any data on that yet, other than what
6 Mr. Quint has told us, and that's been pretty
7 good. He's been pretty helpful with that. So,
8 we just need time to look at the pump station,
9 look at the treatment, look at the well
10 capacities. All these types of things, to see
11 if there's any issues that we're not happy
12 with.

13 Q So, I'll represent to you that, in Exhibit 2,
14 the Settlement Agreement, on Page 4, there's a
15 reference to the requirement to prepare a
16 capital improvements plan, and that's
17 concurrent with a filing of the Annual Report a
18 year from now, for 2018.

19 A (Mason) Yes. We agree with that.

20 Q And so, that's the Company's plan, to come in
21 with a more comprehensive plan for what needs
22 to be replaced and what its expected costs will
23 be?

24 A (Mason) That's correct.

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[WITNESS PANEL: Mason|Laflamme]

1 MR. RICHARDSON: Okay. Thank you.

2 No further questions.

3 CHAIRMAN HONIGBERG: Mr. Speidel,
4 questions for either Mr. Mason or Mr. Laflamme?

5 MR. SPEIDEL: I'd like to first
6 introduce Mr. Laflamme, if I may.

7 BY MR. SPEIDEL:

8 Q Mr. Laflamme, could you please state your full
9 name and your position at the Commission for
10 the record.

11 A (Laflamme) My name is Jayson Laflamme. I'm the
12 Assistant Director of the Gas & Water Division.

13 Q And as part of your duties as the Assistant
14 Director of the Gas & Water Division, did you
15 review the materials presented as Exhibits 1,
16 2, and 3 today?

17 A (Laflamme) Yes, I did.

18 Q And you are generally responsible for
19 formulating Staff's recommendations regarding
20 this case, correct?

21 A (Laflamme) Yes.

22 Q In light of this, would you say that the
23 Settlement Agreement that has been entered into
24 between Staff, the OCA, and the Company is in

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[WITNESS PANEL: Mason|Laflamme]

1 the public interest?

2 A (Laflamme) Yes, I would.

3 Q Would you like to elaborate on why you believe
4 that it's in the public interest?

5 A (Laflamme) Yes. As Mr. Mason has indicated
6 earlier in his testimony, Lakes Region Water
7 Company has experience and expertise in
8 acquiring small water systems and making
9 necessary improvements in those small water
10 systems. Staff believes that Lakes Region
11 Water has the technical, managerial, and
12 financial expertise to run this water system
13 effectively and efficiently.

14 Currently, the Wildwood system, they are
15 financed 100 percent by equity. Lakes Region
16 has access to low-cost debt financing, mainly
17 through CoBank. And so, we believe that Lakes
18 Region can make the necessary improvements to
19 this water system at the lowest possible cost
20 to customers.

21 Q Mr. Laflamme, is it your expectation that the
22 Wildwood system, after this acquisition is
23 consummated, will be rolled into the annual
24 reporting for both financial and physical plant

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[WITNESS PANEL: Mason|Laflamme]

1 aspects for Lakes Region?

2 A (Laflamme) Yes.

3 Q And therefore, the Staff will have the ability
4 to monitor ongoing developments involving this
5 portion of the system, correct?

6 A (Laflamme) That is correct.

7 Q Mr. Laflamme, do you recall the line of
8 questioning that Mr. Richardson had regarding
9 the technical session where the EPA report
10 discussed as Exhibit 3 was considered?

11 A (Laflamme) Yes.

12 Q And do you also have some recollection of that
13 technical session?

14 A (Laflamme) Yes.

15 Q Would you be able to independently confirm that
16 the Business Manager of the Company indicated
17 to the assembled group that she did, in fact,
18 use rough figures for this example presented as
19 Exhibit 3, pending receipt of the actual data
20 from the Company upon acquisition, that is
21 Wildwood, is that right?

22 A (Laflamme) That is correct.

23 MR. SPEIDEL: Okay. I have no
24 further questions for the panel. Thank you.

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[WITNESS PANEL: Mason|Laflamme]

1 CHAIRMAN HONIGBERG: Mr. Kreis, do
2 you have questions?

3 MR. KREIS: Just maybe a couple. I
4 think they're for Mr. Mason.

5 **CROSS-EXAMINATION**

6 BY MR. KREIS:

7 Q Mr. Mason, if I'm reading Exhibit 1 correctly,
8 the purchase price that Lakes Region is paying
9 to Wildwood is \$25,000, correct?

10 A (Mason) Yes, it is.

11 Q Is there any acquisition premium included in
12 that price?

13 A (Mason) A premium? No.

14 Q In other words, you're not paying more than the
15 true value of the assets?

16 A (Mason) No, No. No, no.

17 Q And so, therefore, moving over to the
18 Settlement Agreement itself, the acquisition
19 costs that are referenced at Pages 4 and 5 of
20 Exhibit 2 don't refer to "acquisition premium",
21 but actual costs incurred by your Company in
22 the course of acquiring the company?

23 A (Mason) That's correct. It's lawyers,
24 accountants, that type of thing. Whatever we

1 needed.

2 Q And it's those costs that are partially, but
3 not fully, accounted for in the second exhibit
4 attached to the Settlement Agreement, yes?

5 A (Mason) Yes.

6 Q And to the extent that those costs are
7 significant, would it be fair to say that that
8 could be attributed at least in part to some
9 thorny title issues that you experienced in the
10 course of this acquisition?

11 A (Mason) Yes. Definitely. When we did, you
12 know, the deeds and looked at the title stuff,
13 and, you know, some assets, things hadn't been
14 brought down over time. There were issues with
15 title to pieces of property and easements and
16 all kinds of stuff that we needed to get
17 resolved before we purchased it.

18 Q And you would agree, would you not, that if for
19 some reason, and I stress I have no reason to
20 think this, but if for some reason, either the
21 Staff or the OCA concluded that there was any
22 imprudence in any of those expenditures in the
23 realm of acquisition costs, those could be
24 fully investigated in your Company's next rate

[WITNESS PANEL: Mason|Laflamme]

1 case?

2 A (Mason) Oh, sure. Yes. Definitely.

3 MR. KREIS: Those are my only
4 questions.

5 CHAIRMAN HONIGBERG: Commissioner
6 Bailey.

7 CMSR. BAILEY: Good morning.

8 WITNESS MASON: Good morning.

9 WITNESS LAFLAMME: Good morning.

10 BY CMSR. BAILEY:

11 Q Can you take look at Exhibit 2, the graph that
12 we were talking about?

13 A (Mason) The one with the example? The one with
14 the red --

15 Q Yes. Exhibit 3.

16 A (Mason) Yes.

17 Q Page 6 and 7. Can you explain how this works?
18 Ms. Valladares puts what into the model to
19 generate the results on Page 6?

20 A (Mason) You know, I wasn't totally involved in
21 when she did this. She just used a form that
22 EPA had and wanted to put something in about
23 the condition of the system. So, she used
24 this. I don't think she has ever used it

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[WITNESS PANEL: Mason|Laflamme]

1 before.

2 All -- like I tried to get across before,
3 it's a very generic, very basic outlook on a
4 water system. And basically, she just took
5 some guesses at age of what she thought things
6 were, the water mains, the services, the pump
7 station, pumps, things like that, but
8 completely taking a guess. And then she fed
9 the information into this program, and this is
10 what it came out as, most of them being "high
11 risk".

12 Q So, the only reason that you know of that most
13 of them are in the "High Risk" category is
14 because of their age?

15 A (Mason) Correct.

16 CMSR. BAILEY: Okay. Thank you.
17 That's all I have.

18 CHAIRMAN HONIGBERG: Commissioner
19 Giaimo.

20 CMSR. GIAIMO: Good morning.

21 WITNESS MASON: Good morning.

22 BY CMSR. GIAIMO:

23 Q As Wildwood is not here, I'm going to ask you
24 questions, and hopefully you can answer them.

{DW 17-176} {03-29-18}

[WITNESS PANEL: Mason|Laflamme]

1 Does Wildwood have employees?

2 A (Mason) No.

3 Q No employees. Okay. I am going to go to
4 Exhibit 3. And just for clarification, I want
5 to make sure I am viewing this right, because I
6 think some of the numbers were written on top
7 of each other. So, I see, in the "Low Risk",
8 left corner, numbers "8" and "7"?

9 A (Mason) Uh-huh.

10 Q And then as I progress north and to the east, I
11 see "6"?

12 A (Mason) I believe so, yes, as it's readable.

13 Q Okay. And then, as we go north again, higher
14 up, do we know what those are? Looks like
15 there's a "4" in there?

16 A (Mason) I believe it's all the other numbers.
17 I don't know how they're represented here. But
18 it appears the only two that are out of -- that
19 there's two "low risk", 7 and 8.

20 Q Yes.

21 A (Mason) And the balance of them I believe are
22 in the "high risk" area, which would be 1
23 through 6. I don't know how that got screwed
24 up over there in the red box, but it did.

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[WITNESS PANEL: Mason|Laflamme]

1 Q That's fine. So, that's helpful. So, going to
2 Exhibit 2, Bates 013 and 014.

3 CHAIRMAN HONIGBERG: Which document?

4 CMSR. GIAIMO: Exhibit 2.

5 BY CMSR. GIAIMO:

6 Q There's a comparison of the tariffs. And I was
7 wondering if you can, to the extent you can
8 articulate which ones you think now benefit
9 Wildwood? How Wildwood's tariff actually
10 improves as a result of the acquisition?

11 A (Mason) I really hadn't paid much attention.
12 Can I just read it for a minute?

13 Q Please. And maybe Mr. Laflamme can help you as
14 well.

15 A (Laflamme) Yes. Just briefly looking at this
16 exhibit, on Bates 014, there's two or three
17 terms where Wildwood's tariff does not
18 currently -- it's not addressed in Wildwood's
19 current tariff. And that's with regards to
20 "Penalty for Bad Checks", "Vacancy of
21 Premises", and "Availability Fees".

22 And those, unlike Wildwood's current
23 tariff, those are clearly addressed in the
24 tariff of Lakes Region Water Company.

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[WITNESS PANEL: Mason|Laflamme]

1 Generally speaking, the Staff reviewed the
2 tariff for Wildwood, and noted that it hasn't
3 been updated for a number of years. The last
4 rate increase that was set for the Wildwood
5 system was -- I believe it was 1998.

6 So, I believe, unlike the Wildwood system,
7 the Lakes Region tariff is fairly up-to-date.
8 And also, the Lakes Region tariff has recently
9 been reviewed by the Water Staff, because there
10 were several changes, not to the rates, but to
11 other provisions in the Lakes Region tariff
12 that were updated. And I believe Staff made a
13 recommendation to accept those changes. I
14 think it was a couple of weeks ago.

15 CMSR. GIAIMO: Thank you. That
16 additional information was very helpful. All
17 set.

18 CHAIRMAN HONIGBERG: I have no
19 questions that haven't already been answered.

20 Mr. Richardson or Mr. Speidel, do you
21 have follow-up for the witnesses?

22 MR. SPEIDEL: Yes, just --

23 MR. RICHARDSON: Yes.

24 CHAIRMAN HONIGBERG: We'll let Mr.

1 Richardson go first, then Mr. Speidel.

2 **REDIRECT EXAMINATION**

3 BY MR. RICHARDSON:

4 Q Mr. Mason, you indicated, in response to a
5 question I believe from Commissioner Bailey,
6 that Wildwood does not have any administrative
7 staff, is that right?

8 A (Mason) I don't believe they have -- I don't,
9 obviously, have a lot of knowledge at what
10 their business is, but I don't believe so.

11 Q Is it your understanding perhaps that there's
12 one part-time administrative staff person?

13 A (Mason) If you say that, I believe you. I
14 really don't know.

15 Q So, you don't know. Okay.

16 A (Mason) Yes. I really don't know --

17 Q Okay.

18 A (Mason) -- what their situation is.

19 Q Okay. All right. And who is the operator of
20 the system?

21 A (Mason) That would be Fran Lyons.

22 Q Or F. X. Lyons?

23 A (Mason) F.X. Lyons, yes.

24 Q And what is that?

[WITNESS PANEL: Mason|Laflamme]

1 A (Mason) He's another -- he's a company that
2 specializes in running small systems, but for
3 people, not on his own. He doesn't own any
4 systems.

5 Q So, Mr. Quint and Wildwood then have a contract
6 to operate the system?

7 A (Mason) Correct.

8 Q But no in-house staff?

9 A (Mason) No in-house staff at all.

10 Q So, what does that mean if something were to
11 break down?

12 A (Mason) I would think it would mean that they
13 would have to contact Mr. Lyons, and then put
14 the process in motion, and probably takes a
15 fair amount of time.

16 Q Okay. And do you know if Mr. Quint is also a
17 certified operator or not?

18 A (Mason) I doubt it.

19 Q Okay.

20 A (Mason) I don't know that. But I don't believe
21 he's ever said he was.

22 MR. RICHARDSON: Okay. That's it.

23 Thank you.

24 CHAIRMAN HONIGBERG: Mr. Speidel.

[WITNESS PANEL: Mason|Laflamme]

1 MR. SPEIDEL: Yes. Thank you, Mr.
2 Chairman.

3 BY MR. SPEIDEL:

4 Q Mr. Laflamme, are you aware of the fact that
5 the Company has been making some effort to
6 revise its current tariff, that is Lakes Region
7 has?

8 A (Laflamme) Yes.

9 Q And that there have been certain technical
10 issues with the tariff filing that the Staff of
11 the Commission and Lakes Region are working on
12 to try to fix in advance of the Executive
13 Director accepting the tariff filing?

14 A (Laflamme) Yes. And I believe that that's been
15 resolved, and Staff has made a recommendation
16 to accept those changes.

17 Q Do you happen to know how recently that
18 recommendation was made?

19 A (Laflamme) Approximately two weeks ago.

20 Q So, it was essentially right on the heels of
21 this comparison being filed in conjunction with
22 the Settlement Agreement, Exhibit 2, right?

23 A (Laflamme) That is correct.

24 Q And so, therefore, there will be some changes

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[WITNESS PANEL: Mason|Laflamme]

1 made to the tariff provisions that are
2 delineated in that summary presented within the
3 Settlement Agreement, correct?

4 A (Laflamme) More than likely, yes.

5 MR. SPEIDEL: In all likelihood,
6 okay. I just wanted to clarify that for the
7 record. Thank you.

8 CHAIRMAN HONIGBERG: Thank you. All
9 right. I don't think there's anything else for
10 the witness. You can return to your seats or
11 stay where you are, it's up to you.

12 Is there anything else we need to do
13 before wrapping up?

14 *[No verbal response.]*

15 CHAIRMAN HONIGBERG: All right.
16 Without objection, we'll strike ID on Exhibits
17 1, 2, and 3.

18 And ask the parties to sum up.
19 Mr. Kreis, start us off please.

20 MR. KREIS: Thank you, Mr. Chairman.
21 The arc of the moral universe is long, but it
22 bends towards justice. And in this instance,
23 part of that journey is the inexorable march
24 from small independent and struggling water

1 systems in New Hampshire being purchased by
2 competent, well-run utilities that can provide
3 good service to the customers. This is the
4 latest example of that phenomenon that has been
5 going on over a very long time.

6 The acquisition is reasonable and in
7 the best interests of the current customers of
8 Wildwood, as well as the other customers of the
9 Lakes Region Water Company. The Settlement
10 Agreement provides for reasonable terms. The
11 entire agreement is in the public interest, and
12 therefore the OCA recommends that the
13 Commission approve the Settlement Agreement.

14 CHAIRMAN HONIGBERG: Thank you, Mr.
15 Kreis. Mr. Speidel.

16 MR. SPEIDEL: Mr. Chairman,
17 Commissioners, the Staff of the Commission
18 recommends that the Commission approve the
19 Settlement Agreement as filed as just and
20 reasonable and in the public interest.

21 Thank you.

22 CHAIRMAN HONIGBERG: Thank you,
23 Mr. Speidel. Mr. Richardson.

24 MR. RICHARDSON: Lakes Region really

1 has nothing to add beyond what's been very well
2 stated by Staff and the Office of Consumer
3 Advocate. You know, we'd like to thank
4 everyone one for helping us get to this point,
5 and we think it's a great proposal.

6 CHAIRMAN HONIGBERG: All right.
7 Thank you, Mr. Richardson. With that, we will
8 close the hearing, take the matter under
9 advisement, and issue an order as quickly as we
10 can.

11 ***(Whereupon the hearing was***
12 ***adjourned at 10:42 a.m.)***