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**I N D E X**

**PAGE NO.**

*OFFICIAL NOTICE TAKEN OF  
STAFF RECOMMENDATION  
DATED 08-14-20 IN  
DOCKET DW 19-135* 7

\* \* \*

**WITNESS PANEL:**            **THOMAS A. MASON  
STEPHEN P. ST. CYR  
JAYSON P. LAFLAMME  
DOUGLAS W. BROGAN**

Direct examination by Mr. Richardson            9, 12  
Direct examination by Mr. Tuomala            26, 34  
Interrogatories by Cmsr. Bailey            43

\* \* \*

**CLOSING STATEMENTS BY:**  
  
Mr. Tuomala            54  
Mr. Richardson            56

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**E X H I B I T S**

<b>EXHIBIT NO.</b>	<b>D E S C R I P T I O N</b>	<b>PAGE NO.</b>
1	Settlement Agreement with Attachments	<i>premarked</i>
2	Direct Testimony of Thomas A. Mason, including attachments	<i>premarked</i>
3	Direct Testimony of Stephen P. St. Cyr, including Schedules	<i>premarked</i>

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

1  
2 CHAIRWOMAN MARTIN: We're here this  
3 morning in Docket DW 19-177 for a hearing  
4 regarding the Lakes Region Water Company's  
5 request for a change in rates.

6 I need to make the necessary findings  
7 for a remote hearing.

8 As Chairwoman of the Public Utilities  
9 Commission, I find that due to the State of  
10 Emergency declared by the Governor as a result of  
11 the COVID-19 pandemic, and in accordance with the  
12 Governor's Emergency Order Number 12, pursuant to  
13 Executive Order 2020-04, this public body is  
14 authorized to meet electronically. Please note  
15 that there is no physical location to observe and  
16 listen contemporaneously to this hearing, which  
17 was authorized pursuant to the Governor's  
18 Emergency Order.

19 However, in accordance with the  
20 Emergency Order, I am confirming that we are  
21 utilizing Webex for this electronic hearing. All  
22 members of the Commission have the ability to  
23 communicate contemporaneously during this  
24 hearing, and the public has access to

1           contemporaneously listen and, if necessary,  
2           participate.

3                       We previously gave notice to the public  
4           of the necessary information for accessing the  
5           hearing in the Order of Notice. If anyone has a  
6           problem during the hearing, please call (603)  
7           271-2431. In the event the public is unable to  
8           access the hearing, the hearing will be adjourned  
9           and rescheduled.

10                      Okay. We'll take a roll call  
11           attendance of the Commission.

12                      My name is Dianne Martin. I am the  
13           Chairwoman of the Public Utilities Commission.  
14           And I am alone.

15                      Commissioner Bailey.

16                      CMSR. BAILEY: Good morning, everyone.  
17           Commissioner Kathryn Bailey. And I am alone.

18                      CHAIRWOMAN MARTIN: Okay. And  
19           appearances, Mr. Richardson.

20                      MR. RICHARDSON: Good morning, Madam  
21           Chairwoman. Justin Richardson, with NH Water  
22           Law, here for Lakes Region Water Company. And I  
23           believe we have our panel of witnesses with us  
24           today present, Tom Mason, and also Stephen St.

1           Cyr, our utility and rate consultant.

2                     Thank you for having us today.

3                     CHAIRWOMAN MARTIN: Okay. Thank you.

4           And Mr. Tuomala.

5                     MR. TUOMALA: Good morning, Madam  
6           Chairwoman, Commissioner Bailey.

7                     Christopher Tuomala, Staff Attorney at  
8           the New Hampshire Public Utilities Commission.  
9           With me today I have Jayson Laflamme, the  
10          Assistant Director of the Gas and Water Division,  
11          and Douglas Brogan, engineering consultant to the  
12          Gas/Water Division.

13                    I also have David Goyette, Staff  
14          analyst, observing as an audience member today.  
15          I don't anticipate calling him as a witness or  
16          elevating him up as part of this proceeding. But  
17          he will be listening in and can provide any  
18          helpful details, if necessary.

19                    Thank you.

20                    CHAIRWOMAN MARTIN: Okay. Thank you.

21                    And, Mr. Tuomala, were you planning on  
22          having two separate panels or one panel?

23                    MR. TUOMALA: Whatever is easiest for  
24          the Commission. When Attorney Richardson and I

1 had discussed this, we discussed having a panel  
2 of all four, but each of us individually  
3 addressing our witnesses. So, I would take Mr.  
4 Laflamme and Mr. Brogan; Mr. Richardson would  
5 take Mr. St. Cyr and Mr. Mason.

6 So, if we could have all of them sworn  
7 in at once, and then I would anticipate Mr.  
8 Richardson doing preliminary questioning of Mr.  
9 St. Cyr and Mr. Mason, and then I would turn and  
10 question Mr. Laflamme and Mr. Brogan.

11 CHAIRWOMAN MARTIN: Mr. Richardson, is  
12 that okay with you?

13 MR. RICHARDSON: That was the plan, and  
14 that is acceptable. Thank you.

15 CHAIRWOMAN MARTIN: Okay. Thank you.  
16 I think that makes sense.

17 As preliminary matters, I have that  
18 there's a pending assented-to request for  
19 official notice of Staff's August 14, 2020  
20 Recommendation in Docket DW 19-135. We will  
21 grant that request for official notice to be  
22 taken of that document.

23 *[Official notice taken.]*

24 CHAIRWOMAN MARTIN: Also, I have

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 Exhibits 1 through 3 prefiled and premarked for  
2 identification. Anything changing with exhibits?

3 MR. RICHARDSON: No changes.

4 MR. TUOMALA: No changes, Madam  
5 Chairwoman.

6 CHAIRWOMAN MARTIN: Okay. Any other  
7 preliminary matters?

8 MR. TUOMALA: None, Madam Chairwoman.

9 CHAIRWOMAN MARTIN: Okay. All right.  
10 Then, let's swear in the four witnesses please,  
11 Mr. Patnaude.

12 (Whereupon **Thomas A. Mason,**  
13 **Stephen P. St. Cyr, Jayson P. Laflamme,**  
14 **and Douglas W. Brogan** were duly sworn  
15 by the Court Reporter.)

16 CHAIRWOMAN MARTIN: Okay. Mr.  
17 Richardson.

18 MR. RICHARDSON: Thank you, Madam  
19 Chairwoman.

20 **THOMAS A. MASON, SWORN**

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

22 **JAYSON P. LAFLAMME, SWORN**

23 **DOUGLAS W. BROGAN, SWORN**

24 **DIRECT EXAMINATION**

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 BY MR. RICHARDSON:

2 Q Mr. Mason and Mr. St. Cyr, could I ask you to  
3 state for the record your name, business address,  
4 and professional occupation?

5 A (Mason) Thomas Mason, President, Lakes Region  
6 Water, 420 Governor Wentworth Highway,  
7 Moultonborough, New Hampshire 03254. And I'm the  
8 president of the --

9 A (St. Cyr) My name is Stephen P. St. Cyr. I am  
10 owner and operator of St. Cyr & Associates, at 17  
11 Sky Oaks Drive, Biddeford, Maine. And I am Lakes  
12 Region Water Company's utility, rate, and  
13 financial consultant.

14 Q Thank you. Mr. Mason, I'll turn to you first.  
15 Your prefiled testimony was filed with the  
16 Commission on December 23rd, 2019. And that's  
17 been marked as "Exhibit 2". Are you familiar  
18 with that document and that testimony?

19 A (Mason) Yes, I am.

20 Q And, Mr. St. Cyr, your prefiled testimony was  
21 filed with the Commission also on December 23rd.  
22 And it's been marked as "Exhibit 3". And I  
23 assume you're familiar with your testimony and  
24 have that available before you now?

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 A (St. Cyr) Yes.

2 Q Okay. I'll ask both of you to adopt or answer  
3 the question -- actually, I'll start with you,  
4 Mr. Mason. Is that testimony true and accurate  
5 to the best of your knowledge and belief?

6 A (Mason) Yes, it is.

7 Q Okay. And, Mr. St. Cyr, in your case, I  
8 understand that Exhibit 1 that's also been filed,  
9 which is the Settlement Agreement, includes an  
10 Audit Report that starts at Page 20, and that the  
11 Company accepted that Audit Report after your  
12 testimony and schedules had been filed. Is that  
13 correct?

14 A (St. Cyr) Yes.

15 Q Okay. And Exhibit 1 also contains, on Page 40, a  
16 "Schedule 1", which the Company has agreed to  
17 permanent rates in this proceeding based on Lakes  
18 Region's existing rates.

19 And, so, my question to you is, is with  
20 those two caveats or adjustments, is your  
21 testimony in Exhibit 3 true and accurate to the  
22 best of your knowledge and belief?

23 A (St. Cyr) Yes.

24 MR. RICHARDSON: Okay. If I may ask a

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 question, Christopher -- Attorney Tuomala, I  
2 think we planned for you to do the Staff  
3 introductions before I went into the details? Or  
4 would you like me to ask the few questions I have  
5 of these witnesses at this point?

6 MR. TUOMALA: Thank you,  
7 Mr. Richardson. On my end, I cannot see Witness  
8 Jayson Laflamme. So, I'd leave it up to Madam  
9 Chairwoman, at this time, if you would like  
10 Attorney Richardson to continue with his two  
11 witnesses until we address the issue with Mr.  
12 Laflamme? But I cannot do any kind of  
13 introductory questioning to him.

14 CHAIRWOMAN MARTIN: I can't see him  
15 either. And I would turn it back to you, as to  
16 whether you want to proceed without having him be  
17 able to hear and observe the other witnesses'  
18 testimony?

19 MR. TUOMALA: Would you mind giving me  
20 one moment, Madam Chairwoman, to see if we could  
21 straighten out this video issue with  
22 Mr. Laflamme?

23 CHAIRWOMAN MARTIN: No, that's fine.  
24 Let's go off the record and try to straighten it

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 out.

2 (Recess taken at 10:16 a.m. to try to  
3 resolve Witness Laflamme's  
4 connectivity issue, and the hearing  
5 resumed at 10:21 a.m.)

6 CHAIRWOMAN MARTIN: Okay. Let's go  
7 back on the record. Go ahead, Mr. Tuomala.

8 MR. TUOMALA: Thank you, Madam  
9 Chairwoman. I think it's Mr. Richardson who is  
10 going to ask some preliminary questions of his  
11 witnesses.

12 CHAIRWOMAN MARTIN: Yes. That's right.  
13 Mr. Richardson, go ahead and continue. Thank  
14 you.

15 MR. RICHARDSON: Thank you, Madam  
16 Chairwoman. I'm really just going to touch base  
17 and highlight a couple things that are in the  
18 prefiled testimony with Mr. Mason and Mr. St.  
19 Cyr. And I hope that's helpful. I can expedite  
20 it, if I'm covering or going over ground that the  
21 Commissioners are already familiar with. So,  
22 please feel free to step in if that's the case.

23 BY MR. RICHARDSON:

24 Q Now, Mr. Mason, in your testimony, and I'll refer

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           you to Page 3 of Exhibit 2, you explain that,  
2           after Lakes Region acquired Dockham Shores, "the  
3           system was in considerably worse shape than  
4           originally believed". That one of the two  
5           storage tanks had failed, and the other was  
6           deteriorated to the point where it couldn't be  
7           repaired. The well yields were lower than  
8           expected. And there were also surprisingly  
9           frequent -- it shouldn't be surprising today, I  
10          suppose, but electric power outages, which  
11          interrupted service.

12                           Is that true and accurate? And can you  
13          elaborate on that for the Commissioners?

14    A       (Mason) Yes. What we found out, once we got in  
15          there and started to run it a little more, was  
16          that the pump station itself was in really bad  
17          shape. There were multiple issues, with  
18          everything from the water mains that came into  
19          it, to the fact that it was underground. It was  
20          a confined space. It had tank issues.  
21          Everything that was done to it up to that time  
22          was kind of just a "fix". It wasn't looking to  
23          the future or anything.

24                           So, ultimately, we ended up hiring an

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           engineering company to come in and look at it,  
2           and evaluate whether it was even worth fixing, or  
3           whether we should just say this is not a, you  
4           know, this is not viable going forward.

5                         And that's what we did. And,  
6           ultimately, we ended up moving the pump station  
7           to a different site and building a completely new  
8           one, deepening the wells, and putting more  
9           storage in.

10    Q     Thank you. And what's the status of the project  
11           currently?

12    A     (Mason) It's complete. It has been complete  
13           since -- I actually don't remember the date, but  
14           it's been on line for probably a year and a half.

15    Q     Uh-huh. And I understand there were benefits  
16           with having backup power, which was added. And  
17           I'm just curious, I know I shouldn't ask  
18           questions when I don't know the answer. Is that  
19           being used today? Or is Lakes Region, I know you  
20           have nineteen systems, --

21    A     (Mason) No. No, I mean, it's an automated  
22           system, and it, literally, for some strange  
23           reason, I don't know if it's where they are in  
24           the electrical system over there, they have

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 plenty of outages. Since then, we have been, you  
2 know, the 15 seconds, or whatever it is, after  
3 there's an outage, the generator comes on, and no  
4 one even knows they're out of water -- or, out of  
5 power. So, it's been a plus.

6 Q Uh-huh.

7 A (Mason) The State of New Hampshire, DES, has been  
8 pushing, every sanitary survey we get now,  
9 there's, at the end of it, it basically asks  
10 everybody to think about putting in backup  
11 generators for all the systems. So, it's  
12 becoming an issue with DES more and more every  
13 year.

14 Q Uh-huh. And I don't think there's numbers that  
15 were available at the time with your testimony,  
16 but I understand that the changes have also  
17 increased the well yields. Are you able to  
18 quantify that or can you explain that  
19 qualitatively for the Commissioners what that  
20 change is?

21 A (Mason) Yes. Well, what ended up happening is,  
22 when he took it over, there were no meters to  
23 actually record, well, there were, but they  
24 weren't very accurate, how much water they were

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 using. And almost immediately, after we took  
2 over, we realized that they were literally  
3 emptying the tanks every day and then refilling  
4 them at night. So, we came to the conclusion  
5 that the yield wasn't what they said it was  
6 originally, which happens.

7 So, when we got the new pump station on  
8 line, with the new metering and the new, you  
9 know, the automated part of it that records all  
10 that, we ended up deciding to deepen the well and  
11 increase the water capacity for the system.

12 So, since then, we haven't had to have  
13 a, you know, a watering ban or a summertime ban  
14 or anything else. We have plenty of water.  
15 Everything's been going great. Short of, you  
16 know, literally, since we put the new pump  
17 station on line, we've had one leak, which was  
18 the other -- last Friday night, that's the first  
19 leak since in the system itself. So,  
20 everything's going well.

21 Q Thank you. Mr. Mason, I understand that, in  
22 Exhibit 1, there is a Staff Engineer's Report by  
23 Mr. Brogan. That's dated July 14. And the  
24 Commission has also taken official notice of the

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 August 14, 2020 Staff Recommendation in the  
2 financing proceeding, and that's Docket 19-135.

3 Are you familiar, have you had a chance  
4 to review those Staff recommendations and  
5 reports?

6 A (Mason) Yes.

7 Q And are you in agreement with those reports  
8 generally say?

9 A (Mason) Yes.

10 Q Okay. I know that one of the issues that Staff  
11 looked at, and I'll refer to Page 17 of Exhibit  
12 1, which reads that Staff evaluated a potential  
13 alternative to the new pump station, I'm  
14 paraphrasing, excuse me, which was an  
15 interconnection to the Laconia Water Works. And  
16 Staff states in its report that such an  
17 interconnection may have been problematic for  
18 several reasons, including cost, the urgency of  
19 repairs, and the investigation of all the options  
20 for Laconia to extend or you to extend its  
21 service there.

22 What's your thoughts on that issue?  
23 Was that a viable option?

24 A (Mason) It wasn't, really. We looked into it

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 right at the beginning. Due to the location,  
2 right along Lake Winnepesaukee, it's on a major  
3 road where the water main would have to come  
4 from, and the fact that it's not actually even in  
5 the Town of Laconia, it's in Gilford. It would  
6 mean being in the next town over. There were  
7 lots of issues, and, you know, ledge issues. So,  
8 we did talk to the town a little bit, but it  
9 never really got very far.

10 Q Uh-huh. And, on Page 17 of Exhibit 1, Mr. Brogan  
11 concluded that "customers now have well-built  
12 facilities", I'm quoting here, "that are  
13 appropriate to a system of this size and that  
14 will likely eliminate such problems and provide  
15 reliable, cost-effective service for years to  
16 come." I assume you agree with that statement?

17 A (Mason) Yes. Everything is, you know, is all new  
18 technology, you know, variable frequency pumps,  
19 anything we could do to lower the power costs,  
20 LED lighting. Pretty much everything we could do  
21 to do the right thing in 2020, or, at that time,  
22 2018.

23 Q Thank you. And the statute that we are before  
24 the Commission is RSA 378:28. And I'll represent

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 to you that it requires that the Commission make  
2 a finding that the Dockham Shores pump station is  
3 prudent, used and useful. And I'll ask, are you  
4 aware of any reason that the Lakes Region's  
5 investment in Dockham Shores' pump station should  
6 not be considered prudent, used or useful?

7 A (Mason) No.

8 Q Okay.

9 A (Mason) Everything is used and useful.

10 Q Thank you. Mr. St. Cyr, I'll ask my questions to  
11 you now.

12 And let me first start with that  
13 question. Are you aware of any evidence or  
14 reasons why this pump station should not be  
15 considered prudent, used and useful?

16 A (St. Cyr) No.

17 Q Okay. Now, on Schedule 1 of Exhibit 1, the last  
18 page, I want to ask you about some of those  
19 numbers, if I can. Looking at the lower half,  
20 there's a comparison of Lakes Region's original  
21 request, the temporary existing rates, the  
22 permanent rates that were proposed, and the  
23 Settlement.

24 Could you walk the Commission through

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 and just explain what the differences in those  
2 numbers are?

3 A (St. Cyr) Sure. Let me start by just giving an  
4 overview of the schedule itself. There's four  
5 columns. Column (1) is the current Dockham  
6 Shores' rates and revenues; Column (2) is what  
7 the Company proposed as temporary rates; Column  
8 (3) is what the Company proposed as permanent  
9 rates; and Column (4) is the Parties' Settlement  
10 rates, which apply Lakes Region's consolidated  
11 rates to Dockham Shores' consumption.

12 And the top third of the schedule  
13 addresses customer rate comparisons under those  
14 four scenarios, and also the comparison of the  
15 tariffed rates, kind of the second half of the  
16 top third, if you will. The middle third of the  
17 schedule looks at 2018 consumption data and  
18 applies the rates. And the lower third looks at  
19 the 2019 consumption data and applies the rates.

20 And I guess what I want to call your  
21 attention to specifically is the last column, the  
22 application of Lakes Region's current  
23 consolidated rates to Dockham Shores'  
24 consumption. And what this schedule shows is

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           that the overall revenue requirement, under the  
2           Lakes Region's current consolidated rates, would  
3           be "\$54,413". And that's compared to the current  
4           consolidated -- the current stand-alone rates for  
5           Dockham Shores as shown in Column (1), the  
6           "42,648".

7                           And the difference between the two is  
8           11,765. The 11,765 represents roughly a 28  
9           percent increase over the existing revenue. And  
10          that breaks out, on a per customer basis, just  
11          drop a little bit lower on that bottom third, you  
12          can see the "Average Annual Charge per Dockham  
13          Shores Customer" would now be 892.01. And that  
14          compares to the current Dockham Shores rate of  
15          699.14, and again represents roughly a 28 percent  
16          increase.

17   Q       Uh-huh. So, if I understand correctly, looking  
18           at the 2019 numbers, the Company's original  
19           request, based on a stand-alone operation, was  
20           for an increase of about 106.47 percent, and  
21           that's been dropped down to about 28 percent,  
22           which is what I believe you just testified to.  
23           Is that right?

24   A       (St. Cyr) That's correct. The 106.47 percent

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 would be what the Company proposed under  
2 permanent rates in its original filing.

3 Q And I understand that one of the primary drivers  
4 for reducing that request is to pursue  
5 consolidation in a subsequent rate proceeding to  
6 be filed. Can you explain that?

7 A (St. Cyr) Yes. So, it's the Company's intent to  
8 include Dockham Shores customers in the  
9 consolidation of rates with Lakes Region Water  
10 Company.

11 Q I noticed in the Staff Recommendation in the  
12 financing proceeding, this is the August 14th,  
13 2020 report that was prepared by Mr. Goyette. On  
14 Page 7 of that document, I'm going to read this  
15 to you, so you don't have to pull it up. But he  
16 says that "If the Company were to request  
17 inclusion of both the Dockham Shores and the  
18 Wildwood systems in a consolidated rate, and if  
19 approved by the Commission, the impact of the  
20 financing would result in a 3.59 percent increase  
21 to Lakes Region's consolidated revenue  
22 requirement."

23 Now, with the understanding that Lakes  
24 Region is in the process of preparing its own

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 schedules and its own numbers, I'm wondering if  
2 you could comment on that observation, and give  
3 your own thoughts to the Commission on what the  
4 impacts of consolidation might be on Lakes  
5 Region's general customers?

6 A (St. Cyr) Sure. I would generally agree with  
7 that statement. I believe that statement looked  
8 at the addition of plant, and it wasn't just  
9 plant for Dockham Shores or Wildwood, but also a  
10 couple other projects. And it looked at the  
11 addition of financing to the capital structure.  
12 And then made the determination that, with the  
13 addition to plant and the addition to the capital  
14 structure, this would be the impact.

15 I believe we were looking at 2018 at  
16 the time, but it may have been 2019 data. And it  
17 was specific to those projects in that financing.  
18 So, if there were other changes, the other  
19 changes wouldn't necessarily be taken in  
20 consideration in this determination. But it  
21 certainly is generally true.

22 Q Uh-huh. And, if I understand correctly, Mr. St.  
23 Cyr, and perhaps you could confirm this for me,  
24 one of the ways that Lakes Region is trying to

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           make this project more affordable and to have  
2           less impact on the customers, is to take the  
3           project, which was built with equity during the  
4           test year, and to essentially refinance it  
5           entirely with debt. This is both Lakes Region --  
6           excuse me, both Dockham and Wildwood. Is that --  
7           is that an important consideration in looking at  
8           those numbers and the effects?

9   A       (St. Cyr) Yes. And it's important from a couple  
10           perspectives. You know, at this point, Lakes  
11           Region's overall capital structure is weighted  
12           towards equity, and the addition of this debt  
13           would lower that. And, with the lowering of the  
14           equity capital, the rate of return would also be  
15           lower, due to the lower cost of debt versus  
16           equity.

17   Q       Uh-huh. And, so, in some sense, the financing  
18           approval that's still pending is an important  
19           component to the numbers and the projections for  
20           rates that are in the financing proceeding. Is  
21           that correct or could you explain that please?

22   A       (St. Cyr) That is correct.

23   Q       Okay. Can you -- what's your view? I mean, is  
24           this a just and reasonable result that the

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 Settlement Agreement is producing for customers?  
2 Can you comment on that for the Commission  
3 please?

4 A (St. Cyr) It is. It's a step in the direction  
5 that Lakes Region ultimately wants for the  
6 Company as a whole, and for, specifically, the  
7 Dockham Shores customers.

8 MR. RICHARDSON: Thank you. Madam  
9 Chairwoman, those are the only questions that I  
10 have for the Company's witnesses.

11 I understand that Mr. Tuomala is going  
12 to cover things from Staff's perspective. The  
13 only -- the only thing that I would ask is is,  
14 and maybe I'll ask this of Mr. Tuomala,  
15 presenting areas where Staff, you know, disagrees  
16 or has a different perspective on what we've  
17 covered, maybe we could put that in the record,  
18 so that it's clear.

19 But that's essentially it, from the  
20 Company's perspective.

21 CHAIRWOMAN MARTIN: Okay. Thank you,  
22 Mr. Richardson.

23 Mr. Tuomala, do you want to ask  
24 questions of the Company's witnesses, before

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 introducing your own?

2 MR. TUOMALA: No, Madam Chairwoman. I  
3 have no further questions for these witnesses.

4 CHAIRWOMAN MARTIN: Okay. All right.  
5 Then, you can proceed with your witnesses.

6 MR. TUOMALA: Thank you, Madam  
7 Chairwoman. I'm going to start with some  
8 introductory questions for my witnesses, and then  
9 turn to Mr. Brogan.

10 But, first, if I may call Mr. Laflamme.  
11 Good morning, Mr. Laflamme.

12 BY MR. TUOMALA:

13 Q Could you please state your name for the record?

14 A (Laflamme) My name is Jayson Laflamme.

15 Q And who are employed by?

16 A (Laflamme) The New Hampshire Public Utilities  
17 Commission.

18 Q And your position there?

19 A (Laflamme) I am the Assistant Director of the Gas  
20 and Water Division.

21 Q And what responsibilities does Assistant Director  
22 entail?

23 A (Laflamme) I directly supervise the Water staff  
24 of the Commission, and primarily oversee the

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 course of examination for water and wastewater  
2 dockets that are filed before the Commission.

3 I also directly examine select dockets  
4 that come before the Commission, such as the one  
5 being heard this morning.

6 Q And have you previously testified here at the  
7 Commission, Mr. Laflamme?

8 A (Laflamme) Yes, I have.

9 MR. TUOMALA: That's all I have for  
10 introductory questions for Mr. Laflamme.

11 I'd like to turn to Mr. Brogan now and  
12 ask the same set of questions. Good morning, Mr.  
13 Brogan.

14 BY MR. TUOMALA:

15 Q Could you please state your full name for the  
16 record?

17 A (Brogan) Good morning. Douglas Brogan.

18 Q And whom are you employed by, Mr. Brogan?

19 A (Brogan) I am self-employed as an engineering  
20 consultant.

21 Q And could you please describe your professional  
22 background and expertise as a consultant?

23 A (Brogan) Yes. After holding different private  
24 and public sector jobs for a number of years, I

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           then worked for 23 years at the New Hampshire  
2           Commission, the last twenty of those as Water and  
3           Sewer Engineer. Retired in 2012. Since then, I  
4           have performed engineering consulting for  
5           Commission Staff and for one other entity, the  
6           latter also relating to cases at the Commission.

7   Q       And have you previously testified here, Mr.  
8           Brogan?

9   A       (Brogan) Yes, I have.

10   Q       Okay. Thank you. And now, for the substantive  
11           questions, I'm going to stay with you, Mr.  
12           Brogan.

13                            Could you please describe your  
14           involvement with this particular docket?

15   A       (Brogan) As far as the actual rate case docket, I  
16           reviewed the Company's filings and participated  
17           in the prehearing conference back in March, and  
18           both technical sessions between the Staff and the  
19           Company.

20   Q       And -- oh, sorry. Mr. Brogan, go ahead.

21   A       (Brogan) No. That's it.

22   Q       Okay. And you also were involved with the  
23           related matter in Docket Number DW 19-135,  
24           correct?

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 A (Brogan) That's correct.

2 Q And issued and reviewed a number of discovery  
3 requests?

4 A (Brogan) Correct.

5 Q Okay. Are you familiar with the Settlement  
6 Agreement that has been entered and marked as  
7 "Exhibit Number 1" for this proceeding today?

8 A (Brogan) Yes, I am.

9 Q Do you have a copy of that document in front of  
10 you?

11 A (Brogan) I do.

12 Q Okay. If you would please, could you turn to  
13 Page Bates 014?

14 A (Brogan) I'm there.

15 Q Okay. And that document is labeled "Attachment  
16 A" at the bottom left-hand corner. Could you  
17 describe what this document is?

18 A (Brogan) It's a memo I submitted to the Gas and  
19 Water Division back in July in this related  
20 financing docket, DW 19-135.

21 Q And you are the author of this document?

22 A (Brogan) Yes, I am.

23 Q Could you briefly describe for the Commission the  
24 purpose of this document?

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 A (Brogan) The docket was a financing request by  
2 Lakes Region involving four different projects.  
3 So, the memo reviewed those four projects for  
4 reasonableness for the purposes of the financing  
5 request.

6 Q Okay. And, to be clear for the record, this  
7 document was authored by you at the behest of  
8 Staff for the financing docket, in DW 19-135,  
9 correct?

10 A (Brogan) That's correct.

11 Q Okay. Why has this docket been included for  
12 consider -- excuse me -- why has this document  
13 been included for consideration in this current  
14 docket?

15 A (Brogan) One of the four projects in the  
16 financing request was Dockham Shores, the  
17 improvements at Dockham Shores. And, so, my  
18 memo, although it stopped just short of affirming  
19 prudence, because it was written only in a  
20 financing docket, the issue of prudence is a  
21 determination included in today's Settlement  
22 Agreement in the rate case.

23 Q Okay. So, in other words, a portion of the  
24 subject matter in the financing docket is exactly

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 the same as the subject matter here today, and  
2 that is the improvements to Dockham Shores, and  
3 specifically the improvements that Mr. Mason had  
4 touched upon, as an entirely new pump station,  
5 the storage tank, and the addition of a  
6 generator, is that correct?

7 A (Brogan) That's correct.

8 Q So, the pertinent pages, in particular, for this  
9 proceeding of that document would be Bates Pages  
10 014 through 017, which describes those  
11 improvements, is that correct?

12 A (Brogan) That's correct.

13 Q Okay. Could you briefly summarize those, that  
14 portion of the document, for the Commission?

15 A (Brogan) My review of the Dockham Shores Project  
16 was probably the subject of somewhat heightened  
17 intensity because -- for two reasons. One is  
18 that the improvements had already been completed,  
19 unlike the other projects in the financing case.  
20 And they had been completed at a much greater  
21 cost than initially represented to the  
22 Commission.

23 So, in my memo, I discussed that  
24 background, and my review of the different

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 factors that led the Company to basically replace  
2 the whole pump station, instead of just doing  
3 more minor improvements to the existing  
4 facilities.

5 Q And did you make any conclusions regarding this  
6 review?

7 A (Brogan) I did. On Bates Page 015, in the last  
8 full paragraph, which starts out reviewing kind  
9 of the level of investigation. But, at the end  
10 of that paragraph, I say that "what ultimately  
11 emerged was what I believe to be adequate support  
12 for the company's chosen course of action." And  
13 that was in relation to the improvements made at  
14 Dockham Shores.

15 Q Apologies. And the context for today's  
16 proceeding, where we're requesting that the  
17 Commission set rates, and a prudence  
18 determination is required, would you say, in your  
19 opinion, as a licensed professional engineer,  
20 would you agree that the improvements made to  
21 Dockham Shores are prudent, used and useful, and  
22 in service?

23 A (Brogan) Yes, I would.

24 Q Okay. Is there anything else you would like to

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 add to the record, Mr. Brogan?

2 A (Brogan) No. I think that covers my input.

3 MR. TUOMALA: I do as well. Thank you  
4 very much, Mr. Brogan. That's all the questions  
5 I have for him at this time.

6 MR. RICHARDSON: Madam Chair? And I  
7 apologize, Attorney Tuomala. I saw our court  
8 reporter waving his hand briefly. I wasn't sure  
9 if he needed to break for some reason.

10 CHAIRWOMAN MARTIN: I think he was  
11 waving it at Mr. Tuomala. And I think Mr.  
12 Tuomala unmuting himself. So, I think we're  
13 okay.

14 Although, now I see that we've lost Mr.  
15 Laflamme.

16 MR. TUOMALA: I do as well. Madam  
17 Chairwoman, would you mind if I had a brief  
18 moment to see if I could address this problem  
19 again?

20 CHAIRWOMAN MARTIN: No. That's fine.  
21 Let's go off the record for a minute.

22 MR. TUOMALA: Thank you.

23 *(Brief recess taken to address Witness*  
24 *Laflamme's connectivity issue.)*

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 CHAIRWOMAN MARTIN: Back on the record.  
2 Please go ahead, Mr. Tuomala.

3 MR. TUOMALA: Thank you, Madam  
4 Chairwoman.

5 I would like to now turn to Mr.  
6 Laflamme for some questioning.

7 BY MR. TUOMALA:

8 Q Mr. Laflamme, could you describe your involvement  
9 with this docket specifically? You're on mute.

10 A (Laflamme) I examined the Company's rate filing,  
11 in conjunction with the books and records  
12 previously on file with the Commission, regarding  
13 Lakes Region and the Dockham Shores system.

14 I participated in the discovery  
15 process, and participated in technical sessions  
16 and settlement conferences leading up to the  
17 Settlement Agreement that's being presented this  
18 morning.

19 I have also materially participated in  
20 previous dockets and other rate cases relative to  
21 Lakes Region, including DW 15-209, DW 16-619, DW  
22 18-056, and DW 19-135.

23 Q Thank you for that, Mr. Laflamme. As discussed  
24 previously, marked for "Exhibit Number 1", do you

{DW 19-177} {12-17-20}

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           have that document in front of you, Mr. Laflamme,  
2           the Settlement Agreement?

3   A       (Laflamme) Yes, I do.

4   Q       And did you assist in the preparation of this  
5           document?

6   A       (Laflamme) Yes.

7   Q       Before we begin, do you wish to make any  
8           revisions or corrections to this exhibit?

9   A       (Laflamme) No.

10   Q       And the information contained in this exhibit, is  
11           it true and accurate to the best of your  
12           knowledge?

13   A       (Laflamme) Yes.

14   Q       Okay. Let's turn to Bates 006 of Exhibit 1,  
15           please. And I'd like to just briefly go through  
16           the terms of the Settlement Agreement here for  
17           the record, specifically going through the  
18           requirements of Section III, that begins on Bates  
19           Page 006.

20                   And Part A discusses the "Temporary  
21           Rates". Could you discuss what Staff and Lakes  
22           Region agree upon for temporary rates in this  
23           proceeding?

24   A       (Laflamme) Yes. Briefly, for temporary rates,

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 the Settling Parties have agreed to set temporary  
2 rates at current rates, effective on or after  
3 February 10th, 2020.

4 Q And, when you say "current rates", you mean the  
5 current rates for the Dockham Shores customers  
6 right now, correct?

7 A (Laflamme) That is correct.

8 Q And why the effective date of "February 10th,  
9 2020"?

10 A (Laflamme) Well, the Settling Parties are relying  
11 on the past precedent and practice of the  
12 Commission, in which the effective date is set as  
13 of the date that Lakes Region provided effective  
14 notice of this proceeding to the Dockham Shores  
15 customers, including its request for temporary  
16 rates.

17 Q And would you say it's Staff's position that the  
18 temporary rates are set in accordance with RSA  
19 378:27, as shown by Lakes Region's reports filed  
20 with the Commission, and that the temporary rates  
21 provide a reasonable return to Lakes Region's  
22 invested plant at Dockham Shores?

23 A (Laflamme) Yes.

24 Q And, as such, Lakes Region is, if approved by the

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 Commission, Lakes Region will be eligible for  
2 recoupment pursuant to RSA 378:29?

3 A (Laflamme) Yes.

4 Q If we move on to Part B please, it describes the  
5 permanent rates agreed to by Staff and Lakes  
6 Region. Could you discuss the resulting  
7 permanent rate please?

8 A (Laflamme) Yes. Based upon Mr. Brogan's analysis  
9 and the Staff audit reports, the Settling Parties  
10 agree that the upgrades made to Dockham Shores  
11 are prudent, used and useful, and that Lakes  
12 Region should earn recovery for those  
13 improvements.

14 Lakes Region indicated that, in its  
15 impending full rate case filing, which has been  
16 docketed as "DW 20-187", the Company would be  
17 seeking to consolidate rates for all of its  
18 divisions, including Dockham Shores. Thus, the  
19 Parties agreed to increase Dockham Shores' rates  
20 to Lakes Region's current consolidated rates, and  
21 then to examine the feasibility of consolidation  
22 in its impending rate case.

23 Q And you calculated the proposed increases,  
24 impacts on Dockham Shores' average customers,

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 correct, that's Schedule 1, located at Bates Page  
2 040?

3 A (Laflamme) Yes.

4 Q Could you, and Mr. St. Cyr already described a  
5 good deal of that schedule, could you again, for  
6 the record, briefly describe how this, the  
7 resulting rates that we're requesting the  
8 Commission to approve today, compares with what  
9 was requested by Lakes Region, when it initially  
10 filed for both temporary and permanent rates?

11 A (Laflamme) Yes. And I'll just basically  
12 reiterate what Mr. St. Cyr stated earlier. And I  
13 would draw the Commissioners' attention to the  
14 very top part of that schedule, which compares  
15 Dockham Shores' current rates, in Column (1),  
16 which are being proposed today as their temporary  
17 rates; Column (2) is the rates proposed by the  
18 Company for temporary rates; Column (3) is what  
19 was proposed by the Company for permanent rates;  
20 and Column (4) is what's being proposed in the  
21 Settlement Agreement.

22 And the very top of the -- the very top  
23 of that schedule indicates that the rates being  
24 proposed per the Settlement -- excuse me -- per

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 the Settlement Agreement result in a 27.59  
2 percent increase to Dockham Shores' customers.  
3 And that's compared to the 106 and a half percent  
4 increase that was originally proposed by Lakes  
5 Region for permanent rates, and the 80 -- roughly  
6 83 percent increase that was proposed by Lakes  
7 Region for temporary rates.

8 Q And would you say that it's Staff's position that  
9 these resulting rates are just and reasonable and  
10 provide a reasonable return on Lakes Region's  
11 plant investment in Dockham Shores?

12 A (Laflamme) Yes.

13 Q And, to be clear, because it was discussed with  
14 some of the questioning by Mr. Richardson, we're  
15 not recommending -- Staff is not recommending  
16 today for Dockham Shores to be included into the  
17 consolidated rate group, but instead that  
18 examination will take place in the context of DW  
19 20-187?

20 A (Laflamme) Yes. Staff and the other parties in  
21 the proceeding will consider and evaluate  
22 inclusion of Dockham Shores within Lakes Region's  
23 present consolidated rate structure in DW 20-187.  
24 Based upon that examination, Staff anticipates

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1           that a recommendation concerning such will be  
2           presented to the Commission for its  
3           consideration.

4    Q    Thank you for that, Mr. Laflamme.  If we could  
5           turn to Bates Pages 008 and 009, and about the  
6           "Temporary-Permanent Rate Recoupment", in Section  
7           D, and Section E, the "Rate Case Expenses".  
8           Could you briefly describe those Settlement  
9           points for the Commission?

10   A    (Laflamme) Yes.  Per the Agreement, Lakes Region  
11           would file within thirty days from an order on  
12           the Settlement, if approved, its calculation of  
13           the recoupment of rates, of the difference  
14           between the revenues actually collected by the  
15           Company, versus the revenues it would have  
16           collected had the permanent rate been in effect  
17           since February 10th, 2020.  Staff agrees to  
18           review the calculation, and make a recommendation  
19           to the Commission on the proposed surcharge.

20                   The Company also agrees to submit its  
21           rate case expenses within thirty days of an order  
22           on this Settlement for Staff review.  Staff  
23           agrees to review the charges and submit a  
24           recommendation likewise to the Commission on the

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 Company's filing for rate case expenses.

2 Q Thank you for that, Mr. Laflamme. If we could  
3 move on to Section F, entitled "Closure of Docket  
4 Number DW 19-177", could you provide a brief  
5 overview of that section?

6 A (Laflamme) Yes. The Settling Parties agree and  
7 recommend that, subsequent to the issuance of  
8 Commission orders concerning this Settlement  
9 Agreement, temporary and permanent rate  
10 recoupment, and rate case expenses, the  
11 Commission should close this docket.

12 Q Thank you for that. Mr. Laflamme, if we could go  
13 on, move on to Sections, excuse me, G and H, I  
14 believe, could you summarize for the Commission  
15 those as well?

16 A (Laflamme) Yes. Those pertain to the  
17 incorporation of Dockham Shores into the Lakes  
18 Region consolidated rate structure, which will be  
19 considered in DW 20-187. And, in doing so, Lakes  
20 Region has agreed to file separate permanent rate  
21 schedules for Dockham Shores under two scenarios.  
22 The first being based on Dockham Shores'  
23 inclusion within the Lakes Region consolidated  
24 rate structure. And, secondly, based on Dockham

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 Shores as a stand-alone rate entity.

2 Staff and the Parties agree that, if  
3 consolidation seems unsupportable, an appropriate  
4 stand-alone rate will be examined and recommended  
5 to the Commission.

6 Q And, finally, as far as the Settlement, Mr.  
7 Laflamme, if you could summarize Sections, excuse  
8 me, Parts I and J as well?

9 A (Laflamme) Yes. In DW 187 [20-187?], which is  
10 the impending rate case involving Lakes Region,  
11 the parties and Staff will examine and evaluate  
12 the acquisition costs incurred to acquire Dockham  
13 Shores; the costs expended by Lakes Region to  
14 obtain the initial financing for Dockham Shores;  
15 along with the costs incurred associated with the  
16 initial step increase that was approved for  
17 Dockham Shores in DW 16-619.

18 Staff and the Company agree that Lakes  
19 Region will not seek recovery of costs incurred  
20 relative to the Commission's audits in either DW  
21 16-619 or this docket, per Commission precedent.

22 Q Thank you for that, Mr. Laflamme. In conclusion,  
23 is it Staff's position that, again, the  
24 Settlement produces just and reasonable rates,

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 but it also fairly balances the interests between  
2 Dockham Shores' customers and Lakes Region as a  
3 utility?

4 A (Laflamme) Yes.

5 Q Do you have anything further to add to the record  
6 today, Mr. Laflamme?

7 A (Laflamme) I do not.

8 MR. TUOMALA: Thank you, Madam  
9 Chairwoman. That concludes my questioning of  
10 both my witnesses. Thank you.

11 CHAIRWOMAN MARTIN: Okay. Thank you.  
12 Commissioner Bailey, do you have questions?

13 CMSR. BAILEY: Yes. Thank you.

14 BY CMSR. BAILEY:

15 Q Mr. Laflamme, can we start with Paragraph H, on  
16 Bates Page 011 of Exhibit 1, that you were just  
17 discussing, about what happens during the rate  
18 case. So, as I understood your testimony, in the  
19 rate case, which is Docket DW 20-187, Dockham  
20 Shores will propose two rates; one if the rate is  
21 consolidated and one if the rate remains  
22 stand-alone. Is that correct?

23 A (Laflamme) Yes. The first would be, if Dockham  
24 Shores is included in the consolidated rate

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 structure. And, secondly, --

2 Q If they're not?

3 A (Laflamme) -- if Dockham Shores is on a  
4 stand-alone basis, yes.

5 Q Okay. So, what does the phrase "subsequent to  
6 that proceeding", in that very long sentence in  
7 Paragraph H, mean? Does it mean that, if Dockham  
8 Shores' rate doesn't get consolidated, there will  
9 be another proceeding to figure out the  
10 stand-alone rate?

11 A (Laflamme) I would not envision -- I would not  
12 envision that. I would envision that same  
13 stand-alone rate would be -- would be recommended  
14 to the Commission regarding Dockham Shores in  
15 that rate proceeding.

16 Q Mr. St. Cyr, is that your understanding as well?

17 A (St. Cyr) Yes. I was essentially going to say  
18 the same thing. We've already started to put  
19 together the rate case. And we envision,  
20 actually, four sets of schedules: One being the  
21 total company, one being Dockham Shores. One  
22 being Wildwood, is the other system that's not  
23 yet consolidated, and then a final set, which  
24 would be the remaining Lakes Region Water Company

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 systems.

2 And the overall plan would be to  
3 consolidate both Dockham and Wildwood. But, to  
4 the extent that that doesn't happen, then both  
5 Wildwood and Dockham, you know, would have rates  
6 proposed on a stand-alone basis as part of that  
7 proceeding.

8 Q Okay. Thank you for clarifying that. So, the  
9 language "subsequent to that proceeding" has no  
10 meaning?

11 A (Laflamme) No. I think all rates should be --  
12 all rates should be decided in the DW 20-187  
13 proceeding.

14 Q Okay. Thank you. Sorry, I'm just trying to find  
15 my next note.

16 Okay. Let's talk about the temporary  
17 rates. Did, Mr. Mason or Mr. St. Cyr, did you  
18 notify your customers that this was a hearing on  
19 temporary rates?

20 A (Mason) Steve, is that a question -- I'm not  
21 sure, on my part.

22 A (St. Cyr) So, I'd have to check to see what the  
23 notice said. It would have been, you know, more  
24 than a year ago. There was no specific notice

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 that went out pertaining to this hearing today.

2 Q Mr. Laflamme, you were asked a question about RSA  
3 378:27. And, if you can't answer it, I'd like  
4 the lawyers to in discussion after this. But  
5 that statute requires "reasonable notice and  
6 hearing", that the temporary rates can be  
7 approved "after reasonable notice and hearing".

8 And, so, I assume the position is that  
9 this is the hearing on temporary rates? Is that  
10 your -- is that everybody's understanding?

11 You're on mute.

12 MR. RICHARDSON: Thank you,  
13 Commissioner Bailey.

14 I believe you're correct. The original  
15 proceeding was filed back in December, and then  
16 temporary rates in January. Orders of Notice --  
17 I believe a single Order of Notice was issued,  
18 I'm trying to do this from recollection without  
19 having the whole docket in front of me. And  
20 there were no intervention requests. But parties  
21 were notified of the request for pending -- or,  
22 for temporary rates and permanent rates. And  
23 that's why the effective date of the temporary  
24 rate change and permanent rates is the date of

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 publication of that Order of Notice. No persons  
2 came in to ask for it. I don't think there was a  
3 separate notice for this hearing, but that's not  
4 my understanding of how the proceedings typically  
5 proceed.

6 Normally, you would expect to see,  
7 obviously, greater participation. If this were,  
8 obviously, an Eversource hearing on rate changes,  
9 you'd see plenty of intervention requests.

10 In this case, we've just worked with  
11 Staff, and essentially reached a single  
12 Settlement Agreement that covers the entirety of  
13 the docket, based on the effective date of the  
14 permanent rate change. In that sense, I'm not  
15 sure that, because we have agreed upon a  
16 recoupment, that the distinction between  
17 temporary rates and permanent rates matters that  
18 much, because the permanent rates are effective  
19 back to the date of publication of the Order of  
20 Notice.

21 CMSR. BAILEY: I think that would be  
22 the case, if we had a hearing to establish  
23 temporary rates, but we never did that.

24 Do you know of any other proceeding

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 where the Commission didn't have a hearing on  
2 temporary rates?

3 MR. RICHARDSON: I do not. And I guess  
4 the way I would characterize this is this  
5 Settlement Agreement is the hearing on both  
6 temporary and permanent rates.

7 CMSR. BAILEY: And what do you think  
8 the words in the statute that say that you have  
9 to "notice the hearing" on temporary rates to  
10 your customers mean?

11 MR. RICHARDSON: I'll need to pull that  
12 statute up and look at it. Let me do that. And,  
13 if Mr. Tuomala or other parties want to weigh in,  
14 I can come back to you in a second, if that's  
15 indeed acceptable?

16 CMSR. BAILEY: Okay. Thank you. Mr.  
17 Tuomala, do you have a position on this?

18 MR. TUOMALA: I do. If I can run  
19 through a few dates from the docket, and,  
20 essentially, my argument would be that today's  
21 hearing is a hearing on temporary and permanent  
22 rates. And, if I can backtrack a bit, the order  
23 of suspension and notice, 26,329, was published  
24 on January 30th of this year. And, in that

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1 notice and suspension order, it noted four times  
2 that Lakes Region was requesting temporary rates.  
3 Lakes Region filed its affidavit of publication  
4 on February 13th, stating that all customers had  
5 received notice on February 10th. And, as Mr.  
6 Laflamme had discussed earlier in his testimony,  
7 February 10th is the proposed effective date.

8 This Settlement was filed on December  
9 4th. Oh, if I may backtrack for a moment. The  
10 duly noticed suspension order, Order of Notice  
11 and prehearing conference, all customers received  
12 notice, as Mr. Richardson had discussed, no  
13 intervenors. So, the whole world was, at least  
14 of Dockham Shores, was noticed of this  
15 proceeding. No one intervened. And, as  
16 Mr. Richardson said, we've been working together  
17 with just Lakes Region, even the OCA did not  
18 participate.

19 A Settlement was filed on December 4th,  
20 which contained both provisions for temporary and  
21 permanent rates. And the Commission issued a  
22 secretarial letter scheduling this hearing today  
23 on the Settlement Agreement, which everyone on  
24 the service list got notice, contains both

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1 provisions for temporary and permanent rates.

2 So, this is a -- while this is a hearing on the  
3 Settlement Agreement, it contains both  
4 provisions.

5 So, I would argue that today's hearing  
6 is duly noticed to everyone on the service list,  
7 as there are no intervenors.

8 And I would say an analogous  
9 proceeding, to my memory, would be the PWW.  
10 While PWW's recent rate case, in DW 19-084, had a  
11 separate hearing on temporary rates, that was set  
12 by a procedural schedule, and I don't have that  
13 date in front of me, that never noted it was a  
14 temporary rate hearing. A settlement was filed,  
15 and the hearing was held on that Settlement.

16 So, I would say that's analogous.  
17 We're discussing the Settlement today. The  
18 Settlement has been noticed. The provision for  
19 temporary rates was in that Settlement. So, this  
20 is when the Commission can decide on those  
21 temporary rates, fulfilling the requirements of  
22 378:27.

23 And, as you know, we have talked, in  
24 other hearings, the precedent from *Appeal of*

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1           *Pennichuck Water Works*, 120 NH 562, at 567, I  
2           believe, they held that the earliest date on  
3           which the PUC can order temporary rates to take  
4           effect is the date of the initial filing. And,  
5           in this case, it could have been all the way back  
6           to December 23rd, 2019.

7                         So, I think, from Staff's point of  
8           view, legally, all the boxes have been checked.  
9           That today's hearing suffices, the secretarial  
10          suffices as notice. Since there are no  
11          intervenors, the service list received notice  
12          that today's hearing was going to be discussing  
13          all those topics, and customers knew about  
14          temporary rates way back in February, that that  
15          was in play.

16                        So, I don't -- I don't see any legal  
17          issues to approving the Settlement as is, and  
18          setting those rates effective to current rates  
19          back to February 10th.

20                        Thank you.

21                        CMSR. BAILEY: Okay. Thank you. Mr.  
22          Tuomala, do you happen to know -- or, actually,  
23          Mr. Laflamme probably can answer this question.

24          BY CMSR. BAILEY:

[WITNESS PANEL: Mason|St. Cyr|Laflamme|Brogan]

1 Q Do you happen to know, when we suspended the  
2 rates, did we suspend for twelve months? That  
3 was prior to our-eighteen month authority. So,  
4 when do we have to approve or reject this  
5 Settlement by?

6 A (Laflamme) I believe it's January 30th of 2021.

7 CMSR. BAILEY: Okay. Thank you.  
8 That's all the questions I have.

9 CHAIRWOMAN MARTIN: Okay. And I don't  
10 have any other questions.

11 Do either attorney have need for  
12 redirect?

13 MR. RICHARDSON: No. I believe that  
14 covers everything.

15 There's -- the only thing I would add  
16 is, is in response to Commissioner Bailey's  
17 question, that I agree with Attorney Tuomala's  
18 explanation. The notice that was provided was of  
19 both the temporary and permanent rates that were  
20 provided, and that resulted in this hearing on  
21 both the permanent and temporary rate requests.

22 I think this is a -- this ended up  
23 being the most efficient way to do this, because  
24 of all of the questions that Staff wished to

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1           investigate. And I think it was administratively  
2           efficient to, you know, rely on the ability to  
3           recoup back, rather than having two separate  
4           hearings and two separate processes. Especially  
5           when you have to remember there's 61 customers of  
6           Dockham Shores. And, so, the cost of a separate  
7           hearing would be significant to those customers.  
8           And we really struggled in this case to try to  
9           keep all of our expenses as low as possible.

10                   I also think that the other piece,  
11           looking at 378 as a whole, that's important, and  
12           the reason why we proceeded as we did is, is that  
13           what proceeding in this manner allows us to do is  
14           avoid implementing the rates, you know, as soon  
15           as they're filed and noticed. In other words, we  
16           allowed the work to be done during the suspension  
17           period, with the ability to recoup back when the  
18           hearing was finally held, all these issues have  
19           been resolved. And that puts us in the right  
20           place, rather than having two sets of hearings,  
21           setting two different rates, and then,  
22           ultimately, having to reconcile a changed rate to  
23           a final changed rate. I think this worked out.

24                   It was a little different from what we

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1 normally see, but it's all within the parameters  
2 of the statute.

3 CHAIRWOMAN MARTIN: Commissioner  
4 Bailey, any follow-up on that?

5 CMSR. BAILEY: No. Thank you.

6 CHAIRWOMAN MARTIN: Okay. Mr. Tuomala,  
7 did you have anything else for the witnesses?

8 MR. TUOMALA: I do not, Madam  
9 Chairwoman. Thank you.

10 CHAIRWOMAN MARTIN: Okay. Thank you.

11 Then, without objection, we'll strike  
12 ID on Exhibits 1 through 3 and admit those as  
13 full exhibits.

14 And we've heard some argument, but we  
15 will take closings, to the extent you have them.

16 Mr. Tuomala, would you like to start?

17 MR. TUOMALA: Yes. Thank you, Madam  
18 Chairwoman and Commissioner Bailey.

19 Staff reviewed the rate case filings,  
20 conducted technical sessions, and engaged in  
21 extensive settlement discussions with Lakes  
22 Region. And we'd like to thank them at this time  
23 for the productive settlement discussions. We  
24 felt it was a just and reasonable outcome,

1 especially in light of, as Attorney Richardson  
2 had discussed, with such a small customer base,  
3 everybody was mindful of the impact that this  
4 proceeding might have on them, especially in rate  
5 case expenses. So, we do appreciate the Company  
6 being willing to work with us in this docket.

7 And, as I stated, we, in conjunction  
8 with Lakes Region, drafted this Settlement  
9 Agreement, and we submit it for Commission  
10 approval.

11 Staff determined, in its opinion, that  
12 the proposed rate increase, and future  
13 consolidation of rates, balances both the  
14 interests of the Dockham Shores customers and  
15 Lakes Region's health as a utility. And it is  
16 Staff's position that the resulting rates are  
17 just and reasonable, pursuant to RSA 374:2,  
18 378:7, and 378:27 and 28.

19 As such, Staff respectfully recommends  
20 that the Commission approve the proposed  
21 Settlement Agreement.

22 Thank you.

23 CHAIRWOMAN MARTIN: Okay. Thank you.

24 And Mr. Richardson.

1 MR. RICHARDSON: Thank you, Madam  
2 Chairwoman.

3 Lakes Region concurs with Staff's  
4 presentation and summary. I believe, going back  
5 to the 16-619 docket, it's been a few years, but  
6 we introduced this proposal to acquire the system  
7 and approve the pump station as a great project.  
8 And the path we have taken to implement those  
9 improvements isn't exactly the one we had planned  
10 originally. But we've reached the end result of  
11 a good project. One that benefits customers, one  
12 that is prudent, used and useful, and a framework  
13 that provides for just and reasonable rates.

14 And the reason why I say a "framework"  
15 is Lakes Region, it's preferred alternative, is  
16 to consolidate rates. We don't -- we recognize  
17 that there are impacts with doing rates on a  
18 stand-alone basis. And, in hindsight, we  
19 probably would have requested to consolidate  
20 prior to acquisition, because that would have  
21 resulted in a little bit less complexity, or  
22 perhaps more difficulty up front.

23 But that's -- that's okay, because we  
24 think this is a great path forward. Lakes Region

1 is preparing its schedules and its analysis of  
2 how the rates will be impacted, both for a  
3 stand-alone basis, which would be approximately a  
4 100 percent increase, and with the much smaller  
5 increase that would occur with a consolidated  
6 rate.

7 Remember, Lakes Region has about  
8 nineteen systems. They're all pretty small.  
9 They average about a hundred customers for each  
10 system. And what that means is is that all of  
11 the customer groups, all of the systems benefit  
12 from that consolidated approach, which we are  
13 laying out in this Settlement Agreement.

14 When this work is done, there will be,  
15 in the future, other systems that a need pump  
16 station improvements, the drought has shown us  
17 this year that there are systems that do need  
18 improvements to their wells and production  
19 capacity. And what consolidation does, that  
20 benefits customers, is it avoids rate shock in  
21 each system every time there's one system that  
22 needs a capital improvement.

23 And, you know, we are very confident  
24 that we're headed down the right path. And we

1 look forward to working with Staff, and presume  
2 OCA will intervene and provide notice in the next  
3 rate case. We look forward to working with  
4 customer groups to talk about how this process  
5 works.

6 And the numbers that are in the Notice  
7 of Intent that was filed in the 2020 rate case  
8 docket, I think give us a peek looking forward  
9 that show us that this approach for consolidation  
10 is one that really benefits all customers across  
11 the board.

12 The outcome in the Settlement  
13 Agreement, and as you've heard in the testimony,  
14 is just and reasonable rates. There was really  
15 a very challenging, for the Company, review, but  
16 I would say a very thorough review, from the  
17 Commission's perspective and from the Staff's  
18 perspective, of these improvements, and what was  
19 done, and why things changed, and that there were  
20 good reasons for all of that. I'm not being  
21 critical here, but I think what really is  
22 commendable is is how robust the record is, how  
23 thorough the review was, and that ultimately  
24 should give the Commission a high degree of

1 confidence in the results and the path forward  
2 that we found here.

3 I want to thank everyone for their  
4 participation in this. And thank you for the  
5 time to consider this. I think your questions  
6 are very good, and they're very important ones to  
7 ask. And we think this is a good result that  
8 we've reached.

9 Thank you.

10 CHAIRWOMAN MARTIN: All right. Thank  
11 you.

12 With that, we will close the record and  
13 take this matter under advisement. Thank you,  
14 everyone. We are adjourned for today.

15 ***(Whereupon the hearing was adjourned***  
16 ***at 11:26 a.m.)***

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