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E X H I B I T S

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4	Question 1-7 with Response from Discovery <i>[Marked for ID only]</i>	<i>premarked</i>
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6	Recent Letter from Abenaki to Village Shore Estates <i>[Marked for ID only]</i>	<i>premarked</i>
7	Published Article from Mr. Morrissey provided in an email dated 10-21-21 <i>[Marked for ID only]</i>	<i>premarked</i>
8	Recent Letter from Eric Messier of Abenaki Water Co. to Tioga-Belmont (09-27-2021) <i>[Marked for ID only]</i>	<i>premarked</i>
9	TB Letter: Peter Spain's copy of a letter we all received in 2000 (09-12-2000) <i>[Marked for ID only]</i>	<i>premarked</i>
10	Copy of TB Deed <i>[Marked for ID only]</i>	<i>premarked</i>
11	Tioga Non-Revenue Water Graph <i>[Marked for ID only]</i>	<i>premarked</i>
12	White Rock Non-Revenue Water Graph <i>[Marked for ID only]</i>	<i>premarked</i>
20	Abenaki Response to Comm. Request 1-1 <i>[Redacted]</i> <i>[Marked for ID only]</i>	<i>premarked</i>

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E X H I B I T S (continued)

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
21	Abenaki Response to Comm. Request 1-1 {CONFIDENTIAL} <i>[Marked for ID only]</i>	<i>premarked</i>
22	RESERVED FOR RECORD REQUEST <i>(To validate the purchase price for each entity on Bates Page 008 in Exhibit 21)</i> <i>[Marked for ID only]</i>	62
23	RESERVED FOR RECORD REQUEST <i>(Under "Account 301 Organization" on Bates Page 015 in Exhibit 21, describe what is inside that account)</i> <i>[Marked for ID only]</i>	62
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P R O C E E D I N G

1
2 CHAIRWOMAN MARTIN: We're here this
3 afternoon in Docket DW 20-112 for a hearing to
4 consider evidence regarding the Abenaki rate
5 base, including the more detailed information
6 that Abenaki submitted regarding its four water
7 systems.

8 Let's start by taking appearances,
9 starting with Ms. Brown.

10 MS. BROWN: Good afternoon,
11 Commissioners. My name is Marcia Brown, with NH
12 Brown Law. And I am representing Abenaki Water
13 Company. And with me virtually today is Nick
14 LaChance, who is Vice President of Abenaki, and
15 Nick LaChance appears on the video screen to the
16 right of the "Nick LaChance" square; and also
17 present today is Bob Gallo, who is President of
18 Abenaki, and Bob is to the left of Nick; also
19 with me today is Stephen St. Cyr, of Stephen P.
20 St. Cyr & Associates, and he's designated by his
21 name on his video.

22 Thank you.

23 CHAIRWOMAN MARTIN: All right. Thank
24 you. And Mr. Kreis.

1 MR. KREIS: Good afternoon. I am
2 Donald Kreis, the Consumer Advocate, here on
3 behalf of residential customers of this utility.
4 And with me today is our new Staff Attorney,
5 Julianne Desmet.

6 CHAIRWOMAN MARTIN: All right. Thank
7 you. And for Village Shore Estates, can you
8 identify yourself? Ms. Bresson?

9 MS. BRESSON: Can you hear me?

10 CHAIRWOMAN MARTIN: I can hear you now.
11 Go ahead.

12 MS. BRESSON: I'm sorry. This is
13 Cristy Bresson, for Village Shore Estates, Bow.

14 CHAIRWOMAN MARTIN: Okay. Thank you.
15 And for Tioga-Belmont?

16 MR. PHILLIPS: This is Jeffrey Phillips
17 here for Tioga-Belmont.

18 CHAIRWOMAN MARTIN: All right. Thank
19 you. And for the Department of Energy?

20 MR. TUOMALA: Good afternoon,
21 Commissioners. Christopher Tuomala, representing
22 New Hampshire Department of Energy.

23 CHAIRWOMAN MARTIN: Good afternoon.
24 All right. For exhibits, we have them slightly

1 out of order, but what I have is Exhibits 4
2 through 12 and 20 and 21 prefiled and premarked
3 for identification.

4 Ms. Brown, is that what you have?

5 MS. BROWN: I have 4 through 11, and I
6 guess I've missed 12.

7 CHAIRWOMAN MARTIN: I believe that was
8 filed by Ms. Speck. Ms. Bresson, can you speak
9 to that?

10 MS. BRESSON: Yes. There was, I
11 believe, 4 through 11 was filed, and then
12 subsequent to that there was one additional
13 document filed, that must be 12. I apologize, I
14 don't have a screen in front of me, but I believe
15 that is correct.

16 MS. BROWN: I found it. I'm caught up
17 now. Thank you very much.

18 CHAIRWOMAN MARTIN: Okay. I have it
19 identified as "White Rock Non-Revenue Water
20 Graph".

21 Okay. Any other exhibits?

22 *[No verbal response.]*

23 CHAIRWOMAN MARTIN: All right. Hearing
24 none.

1 Anything else we need to cover before
2 we hear from the witnesses?

3 MR. KREIS: Yes.

4 CHAIRWOMAN MARTIN: Go ahead.

5 MR. KREIS: Madam Chairwoman,
6 Commissioner Goldner, the Office of the Consumer
7 Advocate continues to object to today's hearing
8 for the reasons stated in the letter that I filed
9 in this docket on November 2nd.

10 Briefly stated, I believe that the
11 Administrative Procedure Act does not
12 contemplate, and likely does not permit, hearings
13 such as this one that the Commission inserts into
14 the middle of a rate case. And I believe that
15 holding a hearing, such as this today, has the
16 effect of materially disadvantaging and
17 prejudicing parties other than the utility,
18 which, in effect, gets two bites at the apple
19 with respect to meeting its burden concerning the
20 prudence of its investments, as will ultimately
21 be reviewed, should this rate case ever proceed
22 to a final order.

23 I believe that there are also a series
24 of uncertainties and confusions that are

1 presented by conducting a hearing today. I have
2 no idea who has the burden of proof. I have no
3 idea what, if any, effect anything that happens
4 at today's hearing will ultimately have; whether
5 it precludes the raising or addressing of any
6 issues at the hearing that is ultimately had at
7 the end of this case; and I don't know whether,
8 by making or failing to make any objections or
9 raise any issues, I'm waiving anything in a
10 manner that might foreclose those issues being
11 raised or dealt with at a later stage.

12 And, finally, I guess I would say that
13 it has been suggested to me that "holding a
14 hearing like this in the middle of a rate case is
15 perfectly fine, because it has no real effect."
16 And I will say, on behalf of the residential
17 customers whose interests I represent, that's the
18 most troublesome prospect of all, because
19 ultimately the costs of rate cases like this are
20 passed along to the customers of this utility.

21 And I want to put the Company on notice
22 that, if the Company seeks to recover the costs
23 of today's hearing, I will object to the recovery
24 of such costs, because today's hearing really has

1 no place in the Administrative Procedure Act, and
2 it is not fair to require the customers of the
3 utility to pay for them.

4 Now, I understand, as I said in my
5 letter, that there are good and valid reasons why
6 the Commission wants to hold hearings in the
7 middle of this and other rate cases. And, as I
8 said in my letter, the appropriate way to deal
9 with that, under existing law, is for the
10 Commission to hold more than one prehearing
11 conference. It's perfectly okay for the
12 Commission to "check in" on the parties in the
13 middle of this, or any other case, to find out
14 how it's going. And I'd be a cheerful
15 participant in a proceeding such as that.

16 But, for the reasons I've already
17 stated, I object to today's hearing, and want to
18 preserve any arguments that I need to make in the
19 future, depending on the outcome of today's
20 hearing, and any that might follow.

21 CHAIRWOMAN MARTIN: Thank you. Before
22 we hear from any other counsel, I would like to
23 respond.

24 So, is it your position then that the

1 Commission itself cannot decide when to schedule
2 a hearing to take evidence on a matter before it?

3 MR. KREIS: My position is that the
4 Commission has to follow the Administrative
5 Procedure Act. And, as long as it's doing that,
6 it can create whatever procedural schedules it
7 finds convenient.

8 CHAIRWOMAN MARTIN: And, so, therefore,
9 does it follow that you believe the
10 Administrative Procedure Act prohibits the
11 Commission from scheduling a hearing such as
12 this?

13 MR. KREIS: Yes. Although, to be
14 candid, I have to concede that there is not
15 chapter and verse that I can cite to you that
16 says to the Commission "No, you may not do this."

17 My position is, basically, that this is
18 so far beyond the pale that the drafters of the
19 Administrative Procedure Act simply assumed that
20 contested administrative proceedings would
21 operate pretty much the way a civil proceeding
22 operates in court, which is to say there are
23 pretrial -- there are pretrial proceedings that
24 occur, then there's a period of discovery, and

1 motions, and then, ultimately, there's a trial or
2 a hearing at the end.

3 CHAIRWOMAN MARTIN: Well, do you
4 disagree, though, that there are often hearings
5 held on specific evidentiary issues or matters
6 that are also before the court that is not done
7 all at one time in every case?

8 MR. KREIS: I really wouldn't know
9 that, because I don't practice -- I don't have
10 the kind of practice that calls for me to
11 participate in similar proceedings.

12 And I do acknowledge that the PUC
13 obviously conducts hearings almost in every rate
14 case in the middle of the rate case, if you want
15 to call it that, when the question is temporary
16 rates. I'm not objecting to anybody holding a
17 hearing when it comes to temporary rates. The
18 temporary rate statute authorizes that pretty
19 explicitly.

20 CHAIRWOMAN MARTIN: Okay. We'll hear
21 from other counsel. Attorney Tuomala, would you
22 like to be heard?

23 MR. TUOMALA: Thank you, Madam
24 Chairwoman. The Department of Energy does not

1 have a position on Mr. Kreis's statement and/or
2 filing at this time.

3 Thank you.

4 CHAIRWOMAN MARTIN: All right. Thank
5 you. And Ms. Brown.

6 MS. BROWN: It's tough to object to a
7 hearing when you're called to answer questions.
8 And, so, we don't object to holding a hearing,
9 *per se*.

10 However, there are valid points of
11 "What is the scope of this hearing?" "Is it
12 going to foreclose consideration of rate base at
13 a later date?" These are questions that the
14 Company has.

15 Today, it is proceeding as if this is
16 informational, under the Commission's ability
17 under, you know, prehearings, to check in on
18 issues. I mean, this isn't like it's a temporary
19 rate hearing that's decided on the merits. It's
20 not a evidentiary, you know, ruling on a motion
21 to compel, which, you know, would have some
22 finality to it. We are here to present the
23 document that was requested, and to be open for
24 any questions on it.

1 It is not -- I mean, if this hearing
2 was to be akin to single-issue ratemaking, where
3 the finality of rate base, as it's going to be
4 included in the, you know, April hearings on the
5 revenue requirement, if there's going to be some
6 finality to it, I think we would object. Because
7 we still have discovery, as Staff correctly noted
8 in its position statement, that the 2020 Annual
9 Report hasn't been audited yet.

10 And, for small water utilities that
11 don't have -- well, let me break the scope out a
12 little bit farther. Electrics and gas utilities
13 have a lot of cost trackers. Water utilities
14 don't usually have cost trackers, although some
15 water utilities have a WICA or a QCPAC capital
16 expenditure cost tracker. But, when you get down
17 to the small water utilities, which Abenaki is
18 still a small water utility, usually it's a -- a
19 step increase has been the mechanism that the
20 Commission has traditionally used. And it is
21 assets out twelve months outside of the test
22 year, test year being 2019, it is the 2020 assets
23 that have been included in the rate filing, that
24 Abenaki is presuming will be treated as a step,

1 either Step 1 or Step 2, depending on the timing
2 of the in-service date of the assets.

3 And just if I can editorialize on the
4 step. The step mechanism has worked well, to
5 allow a utility fresh out of a rate case to
6 actually have a chance at earning its rate of
7 return, and not right out of the gate be put at
8 such a disadvantage because that rate base from
9 that 12 months post test year was not included.

10 So, with that, and knowing that there
11 is discovery, knowing that the Commission still
12 has a merits hearing for April, and this hearing,
13 it has not indicated that it is replacing those
14 hearings with this hearing, we are ready to
15 proceed on an informational basis.

16 Thank you.

17 CHAIRWOMAN MARTIN: Thank you. And I
18 don't know if Ms. Bresson or -- well, let's start
19 with Ms. Bresson. Do you want to be heard on
20 this question?

21 MS. BRESSON: I'm sorry, I was on mute.
22 I have no position at this time.

23 CHAIRWOMAN MARTIN: Okay. Mr.
24 Phillips?

1 MR. PHILLIPS: The same for Tioga.

2 CHAIRWOMAN MARTIN: Oh, okay. Sorry.

3 Did you say "same for Tioga"?

4 MR. PHILLIPS: Correct. Yes. We have
5 no position at this point.

6 CHAIRWOMAN MARTIN: Okay. Thank you.

7 Commissioner Goldner, do you have any
8 questions?

9 *(Chairwoman Martin and Commissioner*
10 *Goldner conferring.)*

11 MS. BRESSON: Excuse me. This is Ms.
12 Bresson. I can't hear anything.

13 MR. PHILLIPS: The same with Tioga.

14 MS. BROWN: This is Marcia Brown, from
15 Abenaki. And I understand that you cannot see,
16 but the Commissioners are conferring. And, so,
17 the silence is because of that.

18 CHAIRWOMAN MARTIN: Intentional
19 silence. We're going to go off the record and --

20 MS. BRESSON: Thank you, Marcia.

21 CHAIRWOMAN MARTIN: We're going to go
22 off the record and take a break, and likely until
23 two o'clock, so the Commissioners can confer.
24 Sorry for confusing the parties. Off the record.

1 *(Recess taken at 1:55 p.m. and the*
2 *hearing resumed at 2:23 p.m.)*

3 CHAIRWOMAN MARTIN: Okay. Let's go
4 back on the record. We just took a brief break,
5 and we are returning, and had a discussion about
6 Mr. Kreis's argument related to proceeding with
7 this hearing in general. And the Commission has
8 decided to proceed with the hearing. We do not
9 believe that it's the case in court, or here, or
10 anywhere, that the deciding -- that the
11 decision-marker cannot hold multiple hearings to
12 take evidence. So, we're going to proceed with
13 the evidentiary hearing today, and have the
14 witnesses sworn in.

15 Ms. Brown, can you introduce the
16 witnesses for us?

17 MS. BROWN: I would first like to ask a
18 clarification on the scope. Is it anticipated
19 that this Commission is taking evidence on rate
20 base for a determination on rate base sooner than
21 the merits hearing?

22 CHAIRWOMAN MARTIN: No. So, the
23 Commission is -- this is an evidentiary hearing.
24 We are taking evidence. But it is not

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 anticipated that there will be a decision in
2 advance on the rate base.

3 MS. BROWN: I appreciate that
4 clarification.

5 And I'll start with the witnesses. And
6 we have -- I'm sorry. I'll be calling Nicholas
7 LaChance, Robert Gallo, and Stephen St. Cyr as a
8 witness panel.

9 CHAIRWOMAN MARTIN: Okay. Thank you.
10 Mr. Patnaude, could you swear them in please.

11 (Whereupon **Nicholas LaChance,**
12 **Robert Gallo,** and **Stephen P. St. Cyr**
13 were duly sworn by the Court Reporter.)

14 CHAIRWOMAN MARTIN: Okay. Thank you.
15 Ms. Brown.

16 **NICHOLAS LaCHANCE, SWORN**

17 **ROBERT GALLO, SWORN**

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

19 **DIRECT EXAMINATION**

20 BY MS. BROWN:

21 Q Mr. LaChance, I'm going to start with you first.
22 And if you could please state your name and
23 position for the record?

24 A (LaChance) My name is Nicholas LaChance. And I

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 am Vice President of Abenaki Water Company.

2 Q And can you please explain your responsibilities
3 within that position?

4 A (LaChance) Sure. My responsibilities mainly
5 revolve around regulatory affairs, as well as
6 financial affairs of the Company.

7 Q Can you please briefly describe your involvement
8 with this rate proceeding?

9 A (LaChance) Sure. I filed prefiled testimony with
10 this hearing, or in this docket, as well as
11 answering data requests from the various parties.

12 Q And can you please state for the record what you
13 consider to be your area of expertise?

14 A (LaChance) Yes. Again, the financial and
15 regulatory aspects of the Company.

16 Q Thank you. Mr. Gallo, can you please state your
17 name and position for the record?

18 A (Gallo) Yes. Excuse me. My name is Robert
19 Gallo. I'm the President of Abenaki Water
20 Company.

21 Q And please describe your responsibilities in that
22 position?

23 A (Gallo) I manage day-to-day operations with the
24 field operation staff, work on capital -- design

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 and manage capital projects for the Company. I
2 work with Nick LaChance on overall management of
3 the Company. And I handle permitting and
4 regulatory work as well.

5 Q Thank you. Mr. Gallo, do you hold any licenses,
6 professional licenses?

7 A (Gallo) I do. I'm a registered Professional
8 Engineer in New Hampshire, Vermont,
9 Massachusetts, and Connecticut.

10 Q Okay. Can you please describe your involvement
11 with this docket?

12 A (Gallo) Yes. I prepared several exhibits, mainly
13 pertaining to mapping and, you know, exhibits
14 related to data requests. I've also assisted the
15 team in preparing responses to data requests.

16 Q Okay. Thank you. If I could turn to Mr. St.
17 Cyr, if I could please. And, Mr. St. Cyr, can
18 you state your name and business for the record?

19 A (St. Cyr) My name is Stephen P. St. Cyr. I own
20 and operate St. Cyr & Associates.

21 Q And what services have you been providing
22 Abenaki?

23 A (St. Cyr) I provide primarily accounting,
24 financial, and regulatory services.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 Q Thank you. And please describe your area of
2 expertise for the record please?

3 A (St. Cyr) Accounting, management, and regulatory
4 services, such as filing petitions for financing
5 and rate cases before this Commission.

6 Q Okay. Thank you. And can you please describe
7 your involvement with this docket?

8 A (St. Cyr) Yes. I prepared the original rate case
9 exhibits. I prepared testimony. I prepared the
10 Petition, and oversaw other aspects of the
11 filing. And I also responded to and oversaw the
12 responses to data requests, and worked with the
13 parties on a Settlement Agreement for Temporary
14 Rates.

15 Q Now, when you say you "prepared the Company's
16 rate filing", do you have Exhibit 2 in front of
17 you?

18 A (St. Cyr) I do.

19 Q And is that the rate filing that you prepared for
20 the Company?

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

22 Q Okay. All right. Thank you. And how long have
23 you been involved in rate proceedings before this
24 Commission?

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) A quick answer is "probably too long",
2 but it's been over 25 years.

3 Q Okay. Thank you. Now, I'm going to start with
4 Nick. Do you have in front of you Exhibit 20?

5 A (LaChance) I do.

6 Q Okay. And can you please identify for the record
7 what Exhibit 20 is?

8 A (LaChance) Yes. Exhibit 20 is the Company's
9 response to the data request that it received
10 from the Commission, specifically outlining the
11 system asset inventory and the condition by
12 system, and that would be for each of the four
13 water systems: Lakeland, White Rock,
14 Tioga-Belmont, Tioga-Gilford Village. In
15 addition to those four, it was also the Lakeland
16 sewer system.

17 Additionally, there were maps that were
18 provided that illustrated infrastructure and
19 equipment, as it pertains to the five systems.
20 And then, finally, we had submitted a five-year
21 capital spending plan by system.

22 Q Okay. Thank you. And, Mr. LaChance, can you --
23 I'll cut to the chase. Did you prepare or was
24 this Exhibit 20 prepared under your direct

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 supervision and control?

2 A (LaChance) Yes.

3 Q And, Mr. Gallo, did you have any participation in
4 preparing Exhibit 20?

5 A (Gallo) Yes. That would be the mapping that was
6 prepared for the response.

7 Q And, Mr. St. Cyr, did you have any involvement in
8 the preparation of Exhibit 20?

9 A (St. Cyr) So, I was involved in working with the
10 Company's accountants in sort of formatting the
11 report, and then, subsequently, had reviewed the
12 report, both prior to and once it was final,
13 finalized.

14 Q Okay. And, Mr. St. Cyr, with respect to the test
15 year, what is the test year for this rate
16 proceeding?

17 A (St. Cyr) It's the 12 months ended December 31,
18 2019.

19 Q Okay. And was some of the information that was
20 provided in Exhibit 20 outside of the test year?

21 A (St. Cyr) Yes.

22 Q And can you please give us an explanation as to
23 what parts of that, of Exhibit 20, are not within
24 the test year?

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) So, Exhibit 20 shows all additions and
2 retirements reflected in plant in service up
3 through the end of 12/31/2020. So, there would
4 be some 2020 additions and retirements that were
5 not reflected in the test year and were not
6 reflected in the filing.

7 Q Okay. And, in your experience, and I had alluded
8 to earlier in my opening, step adjustments, is it
9 that sometimes assets, in your experience for
10 water companies, are included in a rate filing,
11 even though they are beyond a test year, because
12 of a step mechanism?

13 A (St. Cyr) Yes.

14 Q Mr. St. Cyr, do you have Exhibit 2 in front of
15 you?

16 A (St. Cyr) I do.

17 Q Okay. Because I'd like to just walk through rate
18 base, what is usually in rate base in the rate
19 filing. And I want to just make sure we compare
20 and contrast and know what is in the October 7th
21 filing, which is Exhibit 20. So, if I could have
22 you turn to Page 122 of Exhibit 2. And let me
23 when you --

24 A (St. Cyr) I have it.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 Q Okay. So, the question to you is, on this
2 Schedule 3, Rate Base, and the sample we're using
3 is Lakeland, can you please list off what is
4 usually included in the rate base calculation in
5 the revenue requirement?

6 A (St. Cyr) So, this is -- this is Schedule 3 that
7 was part of the original filing for permanent
8 rates. And each of the systems has a similar
9 Schedule 3, White Rock, Lakeland, Tioga-Gilford
10 Village, and Tioga-Belmont. There was also a
11 Schedule 3 for the combined water systems.

12 But, as you look at Bates
13 Page 022 [122?], this is a typical rate base
14 schedule, and includes plant in service,
15 accumulated depreciation, materials and supplies,
16 miscellaneous deferred debits, and the related
17 amortization of those debits, contribution in aid
18 of construction and the accumulated amortization
19 of contribution in aid of construction,
20 accumulated deferred income taxes, and then cash
21 working capital.

22 Q Okay. When you -- it came over on our sound that
23 you were referring to "Page 22". But you're
24 referring to Page 122 of Exhibit 2, is that

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 correct?

2 A (St. Cyr) Correct.

3 Q Okay. All right. Now, the next question is,
4 using this list, and what was requested in for
5 Exhibit 20, can you just distinguish to us what
6 the October 7th materials contain of this list of
7 rate base that you just listed off?

8 A (St. Cyr) So, the request included plant in
9 service and accumulated depreciation. It
10 included what was referred to as "net CIAC",
11 which is the contribution in aid of construction
12 less the accumulated amortization of CIAC, and
13 accumulated deferred income taxes.

14 So, the other side of that question is
15 "what was not included in the request?" And that
16 would be materials and supplies, the
17 miscellaneous deferred debits, and the related
18 amortizations of that, and cash working capital.

19 Q I appreciate that distinction. Thank you very
20 much.

21 And, Mr. LaChance, I'd like to turn
22 your attention to Exhibit 20, if you have that in
23 front of you.

24 MS. BROWN: And, for the record, I'm

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 referring to 20, because that is the public
2 version, because of system maps, and a pending
3 request for confidential treatment of those maps,
4 Exhibit 21 has been marked as "confidential".
5 I'd just make that note for the record.

6 BY MS. BROWN:

7 Q Mr. LaChance, with respect to this October 7th
8 filing, I'd like to just briefly go through some
9 of the elements of this. And can you turn to
10 Bates Page 007? The document has a "Page 1" on
11 it as well, but --

12 A (LaChance) Yes, I'm there.

13 Q And if you could just please summarize the
14 systems that are included in this report and when
15 the Company acquired them?

16 A (LaChance) Sure. So, the four water systems that
17 make up the docket are Lakeland Water, as well as
18 White Rock Water, and we have Tioga-Belmont and
19 Tioga-Gilford Village. And, in addition to the
20 White -- in addition to the four water systems,
21 we have the one wastewater collection system
22 known as "Lakeland Sewer".

23 Lakeland Water and Lakeland Sewer, as
24 well as White Rock, were acquired together in

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 February 2014 by Abenaki. And then,
2 subsequently, Tioga-Belmont and Tioga-Gilford
3 Village were acquired in the same docket in May
4 of 2019.

5 Q Okay. Thank you very much for that. And can you
6 just walk us through? There's a summary page,
7 and then more specific information. Can you turn
8 to the next page, it's Bates Page 008, Page 2 of
9 the report?

10 A (LaChance) Okay.

11 Q And this page is in here, is it correct, because
12 this is the summary of the content?

13 A (LaChance) Correct.

14 Q Okay. And, if parties and the Commission want
15 any more details, then is it that they would go
16 further, and I'm just looking at Lakeland on
17 Bates Page 009, this would be an example of the
18 detail that is provided for each system, is that
19 correct?

20 A (LaChance) That is correct.

21 Q Okay.

22 A (LaChance) Sorry. Did you say "Bates Page 009"?

23 Q I said "Bates Page 009". I'm sorry, were you
24 asking me a question?

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (LaChance) No. I was just verifying that it was
2 Bates Page 009.

3 So, yes. Bates Page 009 would be an
4 overview of Lakeland, would be a roll-up of the
5 various assets and their classes, which
6 additional information was provided within this
7 exhibit as well.

8 Q Okay. And, so, if I wanted the detail for
9 Lakeland, then I would go over to Bates Page 015.
10 Is that how this document is arranged?

11 A (LaChance) That is correct.

12 Q Okay. And, so, if I go to Bates Page 010, for
13 White Rock, the summary is on Bates Page 010, and
14 the detail starts on Bates Page 035. Is that
15 accurate?

16 A (LaChance) That is correct.

17 Q Okay. Okay. And is that the sequence of how all
18 of the systems were reported in this report?

19 A (LaChance) Yes, it is.

20 Q Okay. All right. Mr. LaChance, are you aware of
21 any changes or corrections since October 7th that
22 need to be made to this filing?

23 A (LaChance) No, I am not.

24 Q Mr. Gallo, are you aware of any changes or

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 corrections that need to be made to this filing?

2 A (Gallo) I'm not.

3 Q And, Mr. St. Cyr, are you aware of any changes or
4 corrections that need to be made to this filing
5 as it stood on October 7th?

6 A (St. Cyr) No.

7 Q Okay. And could you speak to how the year-end
8 audits function? And, you know, the Company has
9 provided information, but do year-end audits, the
10 Company's internal or external audits, help
11 fine-tune any of these, the assets that are
12 reported?

13 A (St. Cyr) Yes. So, as part of the normal
14 year-end review process, the Company would be
15 reviewing its plant in service, and any related
16 retirements. And then, in addition to that, it's
17 outside accountants would be doing a similar
18 review, while the internal accountants are
19 probably looking at every asset and every detail,
20 there might be a materiality factor that the
21 external auditors might use.

22 But, for all practical purposes,
23 they're looking at, you know, the significant
24 additions to plant and the related retirements.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 Q Okay. And, Mr. LaChance, one other question for
2 you. When the Company received the September 7th
3 request for the data, the Commission included a
4 format. And can you tell me if the Company used
5 that format for reporting its data?

6 A (LaChance) Yes, it did.

7 Q Okay. Thank you. And that format is reflected
8 on the itemized pages for each system?

9 A (LaChance) That is correct.

10 MS. BROWN: Okay. Okay, my witnesses
11 answered all the remaining questions I had. So,
12 the witnesses are available for
13 cross-examination.

14 CHAIRWOMAN MARTIN: Okay. Thank you,
15 Ms. Brown. Mr. Kreis.

16 MR. KREIS: I have no questions.

17 CHAIRWOMAN MARTIN: Okay. Thank you.
18 And Mr. Tuomala?

19 MR. TUOMALA: Thank you, Madam
20 Chairwoman. I had one follow-up question that
21 had been touched upon by Attorney Brown earlier.
22 So, I guess I would direct it at any of the
23 three.

24 **CROSS-EXAMINATION**

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 BY MR. TUOMALA:

2 Q I guess, Mr. St. Cyr, as you had -- was the
3 author of this document. But the information
4 provided does contain 2020 information, is that
5 correct?

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

7 Q And, as you stated, that this instant rate
8 proceeding has a 2019 test year?

9 A (St. Cyr) That is also correct.

10 Q Okay. And for purposes of this rate filing, to
11 your knowledge have the 2020 numbers, that
12 information, has that been audited by the
13 Department of Energy's Audit Staff?

14 A (St. Cyr) So, I believe the Audit Staff has
15 reviewed the Annual Report, and has asked a
16 series of questions to which the Company has
17 responded. In the old days, they used to refer
18 to that a "desk audit". But it's not the same
19 kind of audit that would take place if 2020 was a
20 test year.

21 Q Okay. So, again, for purposes of this rate
22 proceeding, though, that information for 2020 has
23 yet to be audited formally as in the usual rate
24 process, is that correct?

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) That is correct.

2 MR. TUOMALA: Okay. Thank you very
3 much, Mr. St. Cyr.

4 Madam Chairwoman, I have no further
5 questions at this time. Thank you.

6 CHAIRWOMAN MARTIN: Okay. Thank you,
7 Mr. Tuomala.

8 Ms. Bresson, did you have questions?

9 MS. BRESSON: Not at this time, Madam
10 Chairwoman.

11 CHAIRWOMAN MARTIN: All right. And Mr.
12 Phillips?

13 MR. PHILLIPS: No questions at this
14 time.

15 CHAIRWOMAN MARTIN: Okay. Thank you.
16 Commissioner Goldner.

17 COMMISSIONER GOLDNER: Yes, I do have
18 some questions. First, my compliments on a very
19 clean and professional reporting structure. I
20 appreciate that the Company clearly had the
21 intent of clarifying the asset picture. So, I
22 appreciate that. And I also appreciate, on
23 Page 1, Bates Page 008 -- Bates Page 007, rather,
24 of the filing the Abenaki timeline from being

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 founded through the proposed Abenaki sale. So,
2 thank you for putting it together. It's very
3 clear and concise, and much appreciated.

4 I do have some questions.

5 BY COMMISSIONER GOLDNER:

6 Q On Page 2, I'm in Exhibit 21, but I won't talk
7 about any of the maps, and I think it's the same
8 Bates page as 20, so that would be Bates Page
9 008. A question maybe for Mr. St. Cyr, but any
10 of the witnesses can testify.

11 If I'm looking at the table on Bates
12 Page 008, why does the rate base equal the
13 purchase price?

14 And just as a quick example, while
15 you're thinking about it, I'm noticing in the
16 Abenaki acquisition by Aquarion, the rate base is
17 quite different from the purchase price. In the
18 aggregate, I know it covered multiple states and
19 so forth. But the point is, is it is unusual, I
20 think, for the rate base to equal the purchase
21 price.

22 A (LaChance) In these particular -- Steve, I'm not
23 sure if you were going to -- if you were going to
24 answer or not. I can start it off, Steve.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) Sure.

2 A (LaChance) In these particular -- in these
3 particular filings and transactions that the
4 Company performed, the Company did not pay any
5 sort of acquisition premiums. The Company just
6 simply acquired the rate base assets of the
7 utilities in each of those different
8 transactions.

9 Q Okay. Was there money that changed hands? In
10 other words, was the purchase price really zero?
11 Or was there literally, in the case of Lakeland
12 and White Rock, \$444,000 that changed hands?

13 A (St. Cyr) So, there would have been money that
14 changed hands. So, at the time of the purchase
15 agreement, there would have been a calculation
16 done, largely based on rate base, and, of course,
17 that transaction then has to be approved by the
18 Commission, and ultimately there's a closing that
19 follows. So, you're some number of months after
20 the sort of determined purchase price at the time
21 of the purchase agreement. And then, at the time
22 of the closing, as best as possible the selling
23 company goes back and sort of does a
24 recalculation of, you know, its rate base

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 components, and then the buying company sort of
2 reviews that, and comes to an agreement based on
3 what that calculation shows.

4 And, if I could just say, with respect
5 to the acquisition adjustments, it's because the
6 Commission historically hasn't included
7 acquisition adjustments, the buying and selling
8 utilities often try to reach an agreement based
9 on it's sort of actual rate base at the time in
10 which the closing takes place.

11 Q So, not to put too fine a point on it, but, under
12 "Purchase Price", that wasn't actually the
13 purchase price, that was just sort of
14 cut-and-pasted over from the "Rate Base", is that
15 fair?

16 A (St. Cyr) I think, generally. But it's also that
17 it is, once that calculation is determined, it
18 does, in fact, pay that amount. And it's
19 supposed to substantially represent rate base.
20 There may be some estimates involved, such as
21 depreciation and amortization of CIAC and some
22 other things, based on the closing date. But it
23 is substantially rate base that the buying
24 company would have paid to the selling company.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 Q Yes. And I'm just remembering a large premium
2 that Aquarion paid to Abenaki in the acquisition.
3 And, again, this was across all states, but it
4 was 30 or 40 or \$50 million, some large number.
5 You're saying, in this case, the rate base and
6 the purchase price are basically the same. But
7 you're not saying that \$444,000, in the case of
8 Belmont-Lakeland and Bow-White Rock, was the
9 purchase price, it was something different than
10 that? It might have only been one dollar, but it
11 wasn't 444K that changed hands, right?

12 A (St. Cyr) I would -- I'd have to double-check for
13 sure, but I would say it's substantially --
14 that's exactly what the Company paid. There was
15 a calculation done and, based on that
16 calculation, that's what the Company paid the
17 former owner.

18 COMMISSIONER GOLDNER: Okay. Yes, I'd
19 just -- Chairwoman, I'd just like to make a
20 record request to validate the purchase price on
21 Bates Page 008.

22 Okay. Thank you. Moving on.

23 BY COMMISSIONER GOLDNER:

24 Q Does the rate base, in this chart, equal the book

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 value? So, I'm looking at the last column, "Rate
2 Base Acquired", "444K". Does that equal the book
3 value, in other words, the purchase price, less
4 accumulated depreciation?

5 A (LaChance) Just to clarify, is that at present
6 day or at the point in time when it was acquired?

7 Q I would say at point of -- well, that's a good
8 question. What does the 444 represent? Is that
9 the current price or was that at acquisition?

10 A (LaChance) That was at acquisition.

11 Q Okay. Okay, and was that -- so, my question
12 would be then, is that rate base at acquisition,
13 was that equal to the book value at acquisition?

14 A (LaChance) It would be --

15 A (St. Cyr) So, I would say yes. It would be the
16 plant in service, less accumulated depreciation,
17 which is what's sort of commonly referred to as
18 "book value". But it would also take into
19 consideration the CIAC and the amortization, and
20 maybe some other rate base items as well.

21 Q Okay. And my challenge here, when I look at, for
22 example, if we go to Page 38, so add six for the
23 Bates page, 044, and we look at the footnotes
24 there, it talks about a lot of these assets being

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 acquired, and then there are some estimates made
2 for accumulated depreciation and so forth. So, I
3 guess my question is, how did you know the book
4 value or the rate base at acquisition, without
5 knowing the accumulated depreciation?

6 A (St. Cyr) So, the selling company would have
7 provided Abenaki with some sort of depreciation
8 schedule, which would have reflected what it had
9 accrued for depreciation up to the closing date.
10 I think that statement there is saying that they,
11 you know, they would have reviewed that, and
12 looked at that for reasonableness, and made a
13 determination that that was accurate at the time.
14 But it can't really speak to what the prior
15 company did or didn't do with respect to
16 accumulated depreciation.

17 Q Okay. So, at acquisition, you would have -- the
18 Company would have received "here's the purchase
19 price, here's the accumulated depreciation",
20 without all the tables and so forth, but they
21 would have reported it. And would they have
22 reported it asset-by-asset or did you get those
23 numbers sort of at a very high level, like for an
24 annual report or something like that?

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) It was largely asset-by-asset. But you
2 have to remember that, like in the case of White
3 Rock, which goes back to 1966, like the
4 recordkeeping that might have been done 40 or 50
5 years ago is different than the recordkeeping
6 that's done today. So, you could get one
7 particular line item, for example, that says
8 "pump station", that would include, you know,
9 multiple things, the pump, the treatment, the
10 structure. So, the Company was dependent on the
11 prior owner for whatever level of detail they
12 provided.

13 Q Okay. Yes. Happily, I guess, if it's 50 years
14 old, it should have had a zero book value, but --

15 A (St. Cyr) Yes.

16 Q -- I'll have to leave that for later. Yes. So,
17 very good.

18 So, moving on to, again, you're looking
19 at this book value on Page 2 again, so Bates
20 Page 008, and I'm trying to figure out how we get
21 that book value in Page -- on Page 12, and I know
22 it probably involves some additional pages, but
23 I'll let you get to Page 12, so Bates Page 018.
24 Get there myself. Okay.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 Okay. So, I'm looking at the "Net Book
2 Value" on Page 12, Bates Page 018, at 350K. And
3 I'm -- actually, let me go back. Check that.

4 Check that. Let's go to Pages 3 and 4.
5 And you've got a rate base for Lakeland, and
6 you've got a rate base for White Rock. Is the
7 difference between the two numbers, you've got
8 249 on Page 3, and 221 on Page 4, I assume that's
9 different than the 444, because of the timing,
10 right? The 444 was at acquisition, and the 470,
11 on Pages 3 and 4, is 2020 values, is that fair?

12 A (St. Cyr) That's correct. With the -- the later
13 numbers would include additions since the
14 acquisition and any depreciation that would
15 offset that.

16 CHAIRWOMAN MARTIN: Commissioner
17 Goldner, can I just clarify for the record, when
18 you just said "Page 3 and 4", are you speaking
19 about Bates Page 009 and 010?

20 COMMISSIONER GOLDNER: Correct.

21 CHAIRWOMAN MARTIN: Okay. Thank you.

22 COMMISSIONER GOLDNER: Yes. I've got
23 an older version here.

24 BY COMMISSIONER GOLDNER:

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 Q Okay. Very good. So, moving on to Page 5, so
2 that's Bates Page 011, is it fair to say, for
3 White Rock, that there is about 953K in capital
4 that's required over the next five years, on a
5 2021 rate base, and less the \$350,000 grant from
6 the Trust Fund, is that, you know, high level,
7 what's going on here?

8 A (St. Cyr) Nick, I think you'd be in a better
9 position. I can speak to the fiscal year 2021,
10 in that those are already planned additions that
11 were proformed into the rate case, and that the
12 Commission has actually approved the related
13 financing for that particular project.

14 Q Yes. You're talking about the 350K. Yes. No,
15 so, just what I'm trying to understand is, from a
16 ratepayer perspective, they currently rate base
17 of 221. There's required capital for upkeep of
18 the system and to put everything in good shape of
19 953, less the 350 in the Trust Fund.

20 So, I guess what I'm trying to point
21 out is that I think the ratepayer there can
22 expect a three or four X increase in rates based
23 on the required capital of White Rock. Is that
24 fair or am I missing something?

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) So, I think that's fair. As part of
2 the rate filing, the Company did propose that
3 rates be consolidated between the four systems.
4 And, if that were to happen, that kind of an
5 increase in rate base would be shared over a
6 larger number of customers. So, depending on how
7 the Commission ruled on the consolidation, that
8 may or may not be true.

9 Q Okay. Very good. Thank you. That's very clear.
10 So, thank you.

11 I'm going to move on to Page 9, Bates
12 Page 015. Get there. Okay. I just have a few
13 accounting questions. So, whoever would like to
14 answer from an accounting perspective.

15 And I just want to understand, I won't
16 go through all of the different four entities,
17 I'll just use Lakeland, because I think it's a
18 perfectly fine example. If I look at line -- so,
19 it's "Account 301 Organization", 68.6K, what is
20 that and why is that in the rate base?

21 A (St. Cyr) So, I'll address it, and then, Nick,
22 you might want to add to it.

23 So, these are largely costs that the
24 Company incurred in making the purchase and

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 receiving PUC approval of that process. And
2 then, it's in rate base because the Company had
3 proposed that it be recovered over I'm going to
4 say some period of time, probably 20 years, maybe
5 25, and that was, you know, supported by the
6 parties, reflected in a settlement agreement,
7 ultimately approved by the Commission.

8 Q Yes. The reason I'm asking is, it says "Date
9 Place in Service 1970". So, I would assume, 51
10 years later, it would be zero?

11 A (St. Cyr) So, I actually -- I don't think that
12 date is correct. I'm pretty sure those are the
13 costs that were incurred. If you go to Bates
14 Page 013, it does have a "plant in service 1970".
15 I'm wondering if the "1970" is the sort of year
16 in which the Lakeland itself began. But I'm
17 pretty sure those costs were incurred in 2014,
18 and then would have been included in the 2015
19 rate case that would have been approved by the
20 Commission.

21 Q Yes.

22 A (St. Cyr) We can verify that. We'll --

23 Q Yes. Thank you.

24 A (St. Cyr) Do you want to make that a second

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 record request? We'll --

2 Q Yes, please. Yes. I mean, if it's -- if it's an
3 asset, if it's capital, and it's being
4 depreciated appropriately, then, of course, it
5 should be in the rate base. But what I see is
6 1970 in plant additions, then, upon acquisition
7 in 2014, it starts to depreciate, kind of,
8 there's no depreciation until about 2016. And
9 then, it appears to be on some sort of
10 quasi-linear schedule from then. So, just sort
11 of like what is it, and why wasn't it depreciated
12 until 2016? And, you know, it's a 1970 asset.

13 So, yes. Thank you. That would be --
14 that would be just great.

15 And I'll move on. I just have a few
16 lines to look at. So, don't worry, I'm not going
17 to go over every one.

18 But, on Line 303, it's got a line
19 called "Land & Land Rights", which land is never
20 depreciated, and you haven't depreciated it,
21 which is appropriate. But is land a -- is land a
22 capital utility asset? Should that be there or
23 should land not be capitalized?

24 A (St. Cyr) So, I think these may be easements,

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 which gives the right -- the Company the right to
2 access, whether it's the pump station or
3 something, or maybe access to the well. And the
4 land rights are actually amortized over some
5 period of time.

6 Q Yes. That's -- the challenge is, if you go down
7 below, into the 303 breakout, it's not amortized
8 at all. It's just fixed at "7,362", no
9 amortization schedule. It has "7,362" --

10 A (St. Cyr) Oh.

11 Q -- all the way through 2021, no amortization, you
12 know.

13 A (St. Cyr) So, Nick, do we know if that's the
14 land? Maybe that's the land under the pump
15 station? Let me see if I can find it.

16 A (LaChance) We should take that -- yes, I think
17 we'd be best suited to take that as a Record
18 Request 3.

19 Q Okay. Thank you. It's not a lot of money. I'm
20 just trying to -- it builds credibility, if I go
21 through a few numbers, and we can make sense,
22 then it builds credibility. I just want to make
23 sure that, if the small numbers are right, then
24 probably the big numbers are right.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (St. Cyr) And these are -- earlier I said that,
2 you know, part of the challenge of a buyer buying
3 an old system, so it's likely that that was
4 identified as "303 Land & Land Rights". I can
5 see the in-service date is 1994, and it comes
6 across with an amount. Same with if you look at
7 the "Structures", "304", you know, it just has a
8 broad, you know, "Structures", and three amounts
9 for different time periods. It doesn't -- the
10 buying company doesn't know all the components
11 that necessarily make up the "Structures &
12 Improvements". That's part of the challenge of a
13 new company buying an old company.

14 Q Yes. And exactly. And, in any acquisition, and
15 I'm just thinking of the Aquarion acquisition,
16 it's important that the assets be put on the
17 books at the correct -- at the correct price, if
18 I can call it that. So, understanding that
19 there's some complexities when it comes in, when
20 Abenaki is selling to Aquarion, and those assets,
21 if it's not clear what they purchase them for,
22 and if the accumulated depreciation isn't quite
23 right, then it's hard to have confidence that the
24 asset is being put on the books, on the new

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 acquisition, at the appropriate price. So,
2 that's --

3 A (St. Cyr) I can say, with respect to Lakeland and
4 White Rock in particular, that there was a rate
5 case that came shortly after the acquisition.
6 And, you know, all of these assets would have
7 been looked at in the context of that particular
8 rate case. And, of course, those prior companies
9 would have filed annual reports that would have
10 been reporting some of these same numbers all
11 along. So, the Company does have some confidence
12 that there was some review going on throughout
13 the process.

14 Q Yes. No, no problem. And I appreciate that you
15 weren't buying Enron. So, that's good. But
16 those things do happen, where there's, you know,
17 one needs to audit and check and make sure that
18 the assets are on the books for the right price,
19 because not everyone is, unfortunately, is
20 ethical.

21 Let me move to Line 311. There's some
22 pumping equipment there, too. And I won't
23 belabor the point, but once again we have pumps
24 on the books since 1987. Is it possible that a

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 pump from 1987 is still functioning, and it
2 hasn't been completely eliminated or replaced
3 with a new pump?

4 I'm on Bates Page 015, Line 311, four
5 from the bottom.

6 A (LaChance) I'm sorry, Bates Page 015? Or is
7 it -- I'm showing it as Bates Page 017.

8 Q Sorry. It's natural Page 9, Bates Page 015.
9 Under "Pumping Equipment", first line, "311
10 Pumps", "1/1/87", which is probably a
11 placeholder, right, "January 1st, 1987"? But I'm
12 just trying to figure out why there's these
13 older dates, even the 1990 dates right below it,
14 those pumps are getting pretty old. I'm just
15 surprised that they haven't been replaced and
16 taken off the books.

17 A (LaChance) Page 9.

18 Q And natural 9, and on Bates Page 015.

19 A (LaChance) Yes. I think if we go to -- if we
20 flip over to Bates Page 017, this will show the
21 offsetting retirements and depreciation.

22 Q I'm sorry, which Bates page was it again?

23 A (LaChance) Bates Page 017.

24 Q 017, okay.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 A (LaChance) Oh, I'm sorry. Nope, it is natural
2 17.

3 Q Okay. That will work for me. All right. Okay.
4 Yes. Let me study that for a second.

5 A (LaChance) Just to clarify, Bates Page 023.

6 Q Yes. Okay. And I'm sorry, make your point
7 again. I'm looking at the page now.

8 A (LaChance) Sure. So, on Bates Page 23, this is
9 going to indicate the actual book value of all
10 the pumping equipment. So, it will account for
11 plant retirements, as well as the accumulated
12 depreciation, whereas the prior page was
13 indicating original costs and dates placed in
14 service.

15 Q Yes. Just in preparation for the final hearing,
16 I guess what I would say is I heard earlier that
17 the accumulated depreciation for each asset was
18 provided at acquisition. I'd suggest adding a
19 column to the right of the "Cost Basis", and just
20 reporting, you know, sort of the purchase price
21 of the asset, the accumulated depreciation, so
22 everyone can see what's happening.

23 I suspect those older pumps, if they're
24 still in existence, they have been fully

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 depreciated.

2 A (LaChance) Sure.

3 Q But my real question is, I'm just surprised pumps
4 that are that old are still in service, which is
5 kind of the bigger issue. So, maybe I'll ask the
6 question differently. Are those -- when was the
7 last time these pumps were audited? Did somebody
8 go through and look at each pump and say "Yes,
9 that one's still there and functioning", "that
10 one's still there and functioning"? Has there
11 been a physical audit of these pumps?

12 A (LaChance) Yes. And that would be done -- that
13 would be done on an annual basis.

14 Q Okay. So, literally, somebody goes and they look
15 at each physical asset, and they check a box, is
16 that what's happening?

17 A (LaChance) In so many words. Essentially, what's
18 happening is, you know, we have our asset
19 listing, and if and when there is equipment
20 repairs or replacements that are required, the
21 journal entry would be made at that point in
22 time, to remove the old asset and install, and
23 book the new asset onto the balance sheet. And
24 this would be further reviewed at year-end, both

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 from internal -- internally, as well as through
2 our external auditors.

3 Q Okay. And your assets all have a physical asset
4 tag? So, it's got a physical number associated
5 with it, and the auditor is comparing the asset
6 tag to, you know, to what they have in the audit,
7 and just verifying that the asset tag matches?

8 In other words, are they looking at it
9 and going "yes, there's a pump there and it's
10 pumping", or is there an asset tag on the pump
11 that tell them "yes, this is the pump that we
12 installed in, you know, 2014"?

13 A (LaChance) Yes. No, I don't believe that there's
14 an actual asset tag on the piece of equipment.
15 Given the relative size of the Company and the
16 size of these small systems, we just -- we have
17 the knowledge that this is, in fact, the pump
18 that was installed three years ago. It's one of
19 two pumps in the station.

20 Q Okay.

21 A (LaChance) You know, that we don't have, you
22 know, for instance, dozens of pumps for an
23 individual system.

24 Q Okay. Fair. Yes, that's a large company thing.

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 I can totally understand that small companies
2 wouldn't necessarily have an asset tag on
3 everything. No problem.

4 Okay. So, if I go to Page -- natural
5 Page 15, Bates Page 021, so -- oh, no, I've
6 already got that one checked off. Never mind.

7 Okay. All right. Just two questions
8 left. I'm going to go back to natural Page 11,
9 so Bates Page 017. So, under "Services", which
10 is Line 333, are services supposed to be
11 capitalized? I would think that would be an
12 expense item?

13 A (St. Cyr) They're supposed to be capitalized.

14 Q Okay.

15 A (St. Cyr) Those are specific PUC Account 333,
16 which identifies where the cost of services
17 should be, and that's a component of plant in
18 service.

19 Q Okay. Are there any service-like things that are
20 expensed or is everything related to service
21 capitalized? And maybe you could give me an
22 example of services capitalized? If somebody
23 services a household to go fix something, and
24 they come back, is that capitalized or what does

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 "services" mean exactly?

2 A (LaChance) So, the "service" --

3 A (St. Cyr) Go ahead, Nick.

4 A (LaChance) Oh, okay. All right. Sorry, Steve.

5 The "service" that's being referred to in Account

6 333 is the -- it's the physical connection from

7 the distribution main that stems off of the

8 distribution main and runs to the curb stop,

9 which is company-owned. At which point, from the

10 curb stop, into the customer's house, is a

11 separate service line or a separate service,

12 which is owned by the customer. So, that portion

13 from the curb stop to the main is what we refer

14 to as the "service", and would be capitalized.

15 Q Okay. And what's the --

16 A (St. Cyr) I would just add to that that, so, if

17 there's a break between the main and the curb

18 stop, and the Company goes in and fixes that,

19 that would be expensed. If the break was of such

20 a nature that the whole service line was

21 replaced, then that would be capitalized.

22 Q Okay. Thank you. That is very helpful. And

23 what's the -- how do you depreciate such a

24 Account 333? Is that on like a five-year

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 depreciation schedule, or a ten-year? What kind
2 of depreciation schedule?

3 A (St. Cyr) Well, the PUC establishes sort of
4 recommended guidelines for assets in specific
5 accounts. So, the recommended guideline for a
6 service is 40 years. So, most of the -- anything
7 new would be depreciated over 40 years.

8 Q Okay. I'm just looking at the depreciation
9 schedule. That, yup, that makes sense. That
10 looks like what's happening there. Thank you.

11 I'm going to return to Page 11 for my
12 last question. Again, this is a small one, but I
13 was surprised, on Line 347, that there was a lot
14 of these small expenses for, you know, computer
15 set up, a Canon copier, all these kinds of
16 things. Again, in my experience, outside of
17 utilities, those would be expense items, not
18 capital assets. If it's -- I assume you have a
19 threshold, so anything below a thousand dollars
20 or something is expensed? Or what's your
21 threshold for expense to capital?

22 A (LaChance) Yes. Typically, with Abenaki, the
23 threshold is 500. And then, again, with some of
24 these expenses, they're shared expenses as well

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 that are spread out across more than one
2 regulated utility, which has been New England
3 Service Company's operational mode, if you will,
4 in order to find efficiencies, so that Abenaki
5 isn't paying for a server, for instance, just to
6 serve Abenaki. That same server is going to be
7 utilized by the other regulated utilities under
8 New England Service Company's umbrella, and then
9 allocated appropriately based off of customers,
10 the customer base.

11 Q Okay. So, if I look at the second to last line
12 in 347, it says "Develop Emergency Response
13 Plan", "452", you're saying that that the total
14 cost was something larger than that. Your
15 portion was 452, and because the total was over
16 500, you capitalized the asset. Is that fair?

17 A (LaChance) That's correct.

18 COMMISSIONER GOLDNER: Thank you,
19 Chairwoman. That's all the questions I have.

20 CHAIRWOMAN MARTIN: All right. And I
21 don't have any questions.

22 So, back to you, Ms. Brown, if you have
23 any redirect?

24 MS. BROWN: I do have some clarifying

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 questions, because there were some record
 2 requests. And I tried my best to write them
 3 down. But I don't know if your process is to
 4 summarize them yourself, or if you want me to,
 5 you know, be my scribe, you know, be the scribe
 6 and take them up down and respond?

7 CHAIRWOMAN MARTIN: I had planned to go
 8 over those when we get to exhibits and admitting
 9 them. If you -- unless you have things you want
 10 to cover on redirect that relate to them?

11 MS. BROWN: I do not. I do not. I
 12 just have one redirect question at this point.
 13 And this was to follow up.

14 **REDIRECT EXAMINATION**

15 BY MS. BROWN:

16 Q Mr. St. Cyr, so, you said earlier you've had a
 17 few decades of working before this PUC. When
 18 we're talking about the account numbers here, and
 19 I just want to make sure that we get into the
 20 record, when there's Account 303, 304, 311,
 21 *etcetera*, do those -- those are required from the
 22 New Hampshire *Chart of Accounts for Water*
 23 *Utilities*, is that correct?

24 A (St. Cyr) So, as defined, I keep this book close

[WITNESS PANEL: LaChance|Gallo|St. Cyr]

1 by, as defined by the *Uniform System of Accounts*
2 *for Water Utilities* that is put out by the Public
3 Utilities Commission. And you kind 333 or any
4 number of other plant accounts, or, actually, all
5 accounts are reflected in here, that Abenaki and
6 the other water utilities follow.

7 MS. BROWN: Thank you for that
8 explanation. And I had no other redirect.

9 CHAIRWOMAN MARTIN: All right. Thank
10 you very much.

11 As far as the record requests, why
12 don't we walk through each of those, just to make
13 sure that we're clear on what they are. I had
14 reserved Exhibit 22 for the record request, and I
15 wrote down "to validate the purchase price on
16 Bates Page 021, in Exhibit 21".

17 Commissioner Goldner, can you just
18 confirm or clarify? It was your first record
19 request. You were looking to validate the
20 purchase price, I believe it was 444,000, on
21 Bates Page 021, in Exhibit 21.

22 COMMISSIONER GOLDNER: Exhibit 21,
23 Bates 008, they list the purchase price of the
24 entities, each of the entities. So, Belmont,

1 Bow, Rosebrook is listed in there, too. So, I'm
2 just validating that the purchase price is
3 correct in what's listed on there. The reason
4 I'm asking, it's exactly what the rate base is.
5 So, usually, when two numbers on a spreadsheet
6 are exactly the same, there are some questions.

7 CHAIRWOMAN MARTIN: Okay. So, the
8 purchase price for each entity on Bates Page 008?

9 COMMISSIONER GOLDNER: Yes.

10 CHAIRWOMAN MARTIN: Okay. Then, I had,
11 for the next record request, reserved Exhibit 23,
12 and that request was regarding the Organization,
13 Account 301, identified on Bates Page 015 of
14 Exhibit 21?

15 COMMISSIONER GOLDNER: Yes. Yeah.
16 What is inside that account?

17 CHAIRWOMAN MARTIN: Okay. "What is
18 it?" is what I had written. But I didn't know if
19 you had an additional question here. That was
20 the question.

21 Okay. Ms. Brown, does that make sense
22 to you?

23 MS. BROWN: If I could just have you
24 repeat it one more time, just so I have it

1 accurate? Thank you.

2 CHAIRWOMAN MARTIN: Okay. I have
3 Exhibit 23 for a record request regarding Account
4 301, Organization, which is identified on Bates
5 Page 015 of Exhibit 21, Commissioner Goldner
6 wants to know what's in that? What is it?

7 MS. BROWN: Thank you.

8 CHAIRWOMAN MARTIN: And the last one
9 that I have is Exhibit 24, for the record request
10 regarding Bates Page 015 of Exhibit 21, Account
11 303, Land & Land Rights. Do you have a specific
12 question related to that?

13 COMMISSIONER GOLDNER: The same thing.
14 What is it? What's inside there?

15 MS. BROWN: And, again, this is the one
16 that's on Bates Page 015, Land & Land Rights,
17 with the "November 1st, 1994"?

18 COMMISSIONER GOLDNER: Correct. Yes.

19 MS. BROWN: Okay.

20 COMMISSIONER GOLDNER: Thank you.

21 CHAIRWOMAN MARTIN: Any questions about
22 any of those?

23 MS. BROWN: Only procedurally. And I
24 know data responses are due under the rules in

1 ten days. Is that going to be applicable here?

2 CHAIRWOMAN MARTIN: Commissioner
3 Goldner, when would you want to receive those?

4 COMMISSIONER GOLDNER: I think that's
5 okay. Let me just look here.

6 Yes, I think that that's fine.
7 Actually, let me say it again. So, Accounts 301
8 and 303 are fine. If it would be all right, I
9 know there is a 10-day requirement, but, on the
10 first one, end of the week would be helpful.

11 CHAIRWOMAN MARTIN: So, Exhibit 22.

12 MS. BROWN: Can I confer with the
13 client, to see if they think they can meet that
14 deadline?

15 COMMISSIONER GOLDNER: Thank you.

16 MS. BROWN: I'm looking at --

17 *(Mr. LaChance indicating in the*
18 *affirmative.)*

19 MS. BROWN: I see Nick nodding. And,
20 okay, Steve St. Cyr, this may involve you, too?

21 *(Mr. St. Cyr indicating in the*
22 *affirmative.)*

23 MS. BROWN: Okay. I'm getting a nod.

24 So, we will strive to get that in by week's end.

1 COMMISSIONER GOLDNER: Thank you very
2 much.

3 CHAIRWOMAN MARTIN: Okay. So, the
4 deadline for Exhibit 22 is this Friday, the 12th,
5 and for the other two it's ten days from today.

6 **(Exhibits 22, 23, and 24 were reserved**
7 *for record requests.)*

8 CHAIRWOMAN MARTIN: Okay. Anything
9 else related to exhibits?

10 I will note that we have only heard
11 testimony related to Exhibits 20 and 21, and then
12 we have 22, 23, and 24 for the record requests.
13 The intervenors did submit multiple other
14 exhibits. Is there any objection to receiving
15 all of those into the record?

16 MR. KREIS: Madam Chair, the Office of
17 the Consumer Advocate objects to receiving
18 anything into the record at this point. It has
19 been the Commission's custom since for as long as
20 I've been around that the Commission makes
21 decisions about what is or is not admitted into
22 the record at the end of the merits hearing in
23 the case. And, before that, everything is simply
24 marked for identification. That's what the

1 reference to "lifting the IDs" is in Commission
2 hearings all the time.

3 So, I think decisions about what is or
4 is not of record is absolutely premature at this
5 point.

6 CHAIRWOMAN MARTIN: And you make no
7 distinction amongst these? Just being clear
8 about my question, which was, as between the
9 intervenors' submissions, which we haven't
10 discussed today, versus the Company's?

11 MR. KREIS: Well, I think at the end of
12 this merits hearing in this docket, everybody,
13 including the OCA, can take a look at what has
14 been marked for identification. And, if there
15 are any issues at that point about what should or
16 shouldn't be admitted into the record, then we
17 can raise those issues at that point and then the
18 Commission can make a ruling, if necessary.

19 CHAIRWOMAN MARTIN: Okay. Thank you.
20 Mr. Tuomala?

21 MR. TUOMALA: I take no issue with Mr.
22 Kreis's suggestion, that it should be withheld
23 until the merits hearing scheduled for next
24 April.

1 CHAIRWOMAN MARTIN: And Ms. Brown?

2 MS. BROWN: And I would concur, the
3 Company would concur. The Commission is free, I
4 mean, you've got the record for making a
5 determination. Then, you have filings that come
6 in. And, so, to the extent you're, you know,
7 referring to something, I don't think you need to
8 admit it. And we can wait until, you know, the
9 end to have a formal admission of these
10 documents, after they have been vetted in
11 discovery, etcetera. But the fact of it having
12 been, you know, arrived at the doorstep of the
13 Commission I think is something that the
14 Commission can at least cite to. I don't know
15 what the, you know, the purpose is.

16 My preference is to admit them after,
17 at the end of the merits hearing in April,
18 because that is customary with hearings. And
19 early, before, at the start of this hearing, it
20 was made clear to us, the Company, that this is
21 not a merits hearing, so that being just a
22 hearing to receive information. You're leaving
23 the record open, these have been marked for
24 identification, and they are what they are.

1 But, in sum, I would agree with OCA.

2 CHAIRWOMAN MARTIN: Okay. Thank you.

3 Ms. Bresson, are you able to hear us?

4 MS. BRESSON: Yes, I am.

5 CHAIRWOMAN MARTIN: Did you hear what I
6 said before about the exhibits? Ms. Speck had
7 submitted several exhibits that were not actually
8 directly covered today.

9 MS. BRESSON: Yes, I did. And I'm fine
10 with the position that the OCA has communicated.
11 I'm okay with that.

12 CHAIRWOMAN MARTIN: Okay. And Mr.
13 Phillips?

14 MR. PHILLIPS: Yes. We concur with the
15 OCA and DOE.

16 CHAIRWOMAN MARTIN: Okay. Excellent.
17 We have agreement.

18 All right then. We will move on to
19 closings. And we're going to start with Mr.
20 Kreis.

21 But, before I do that, I just wanted to
22 note that Ms. Burgess has joined us. And she is
23 one of the intervenors. Ms. Burgess, did you
24 plan to give a closing today or to be heard?

1 MS. BURGESS: No. And I actually have
2 been on since the beginning.

3 CHAIRWOMAN MARTIN: Okay.

4 MS. BURGESS: But, no, I did not plan
5 to speak today.

6 CHAIRWOMAN MARTIN: Okay. And same
7 question for Ms. Bresson, do you plan to speak?

8 MS. BRESSON: No. I have no statement.
9 Thank you.

10 CHAIRWOMAN MARTIN: All right. And Mr.
11 Phillips?

12 MR. PHILLIPS: No. All I wanted to say
13 is, you know, thank you to Commissioner Goldner
14 for some thoughtful questions. But, yes, I think
15 I can wait till the end.

16 CHAIRWOMAN MARTIN: Okay. Thank you.
17 So, Mr. Kreis, do you have anything to say?

18 MR. KREIS: Only that I would like to
19 reiterate the objections that I made at the
20 beginning of this hearing and previously in
21 writing. I don't know what I could possibly say
22 in closing, because I have no idea what
23 significance what we have just done has.

24 I heard Ms. Brown refer to this event

1 as an "informational hearing". I don't know what
2 an "informational hearing" is.

3 But, at this point, all I can do, on
4 behalf of the Office of the Consumer Advocate, is
5 reserve all of our rights to object to or talk
6 about evidence, cross-examine witnesses, and
7 raise whatever issues we deem it necessary to
8 raise at the merits hearing in this docket, and
9 make whatever closing statements at that point I
10 think are necessary.

11 CHAIRWOMAN MARTIN: Thank you. And
12 your positions have been noted. And I just want
13 to clarify, because I did clarify at the outset,
14 Ms. Brown, that this is an evidentiary hearing.

15 And you can go ahead with your closing.

16 MS. BROWN: Did Department of Energy
17 already do its closing or is it going last?

18 CHAIRWOMAN MARTIN: Oh, I apologize.
19 Mr. Tuomala.

20 MR. TUOMALA: Thank you, Madam
21 Chairwoman.

22 As I initially stated on the record
23 earlier, the Department does not take a position
24 on the OCA's argument at this time. And also

1 noting the October 25th filing by the Department
2 of Energy, we don't take a position on the
3 Company's October 8th filing in this proceeding.

4 However, we do want to reiterate that
5 we reserve all rights to investigate rate base
6 throughout the -- the investigation that's
7 conducted in this rate proceeding, with the
8 merits hearing scheduled for next April.

9 Thank you.

10 CHAIRWOMAN MARTIN: Thank you, Mr.
11 Tuomala. Now, Ms. Brown.

12 MS. BROWN: Thank you.

13 The Company, you know, thanks the
14 Commissioners for their questions on Exhibit 20.
15 We don't have anything pending that we are
16 requesting, other than the rate petition and
17 approval of the rates, but that, you know, it's
18 premature to, you know, make that request here.
19 We'll wait and address that at the later hearing.

20 And with respect to reservation of
21 rights, the Company does reserve its rights, as
22 the other parties do, or have, with respect to
23 what evidence we ultimately agree to, and
24 positions we ultimately take, with respect to the

1 rate case.

2 And thank you for your time today.

3 CHAIRWOMAN MARTIN: Commissioner
4 Goldner, any questions?

5 COMMISSIONER GOLDNER: I do not.

6 CHAIRWOMAN MARTIN: Okay. Thank you to
7 the Company for putting on an excellent
8 presentation and answering all of Commissioner
9 Goldner's thorough questions.

10 And, as we discussed a few minutes ago,
11 we will leave the record open. And we are
12 adjourned for today.

13 **(Whereupon the hearing was adjourned**
14 **at 3:27 p.m.)**

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