

1                                   **STATE OF NEW HAMPSHIRE**  
2                                   **PUBLIC UTILITIES COMMISSION**

3  
4   **March 31, 2021 - 10:09 a.m.**

5                           *[Remote Hearing conducted via Webex]*

6  
7           **RE: DW 20-112**  
8                   **ABENAKI WATER COMPANY, INC.:**  
9                   **Request for Change in Rates.**  
10                   ***(Hearing regarding Temporary Rates)***

11  
12           **PRESENT:**     Chairwoman Dianne H. Martin, Presiding  
13                           Cmsr. Kathryn M. Bailey

14                           Doreen Borden, Clerk  
15                           Corrine Lemay, PUC Remote Hearing Host

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

18                           **Reptg. Customer Intervenors in**  
19                           **Tioga-Belmont Water System:**  
20                           George Woodruff, Representative

21                           **Reptg. Customer Intervenors in Bow/**  
22                           **Village Shore Estates System:**  
23                           Jeni Speck, Representative

24                           **Reptg. Residential Ratepayers:**  
                         Christa Shute, Esq.  
                         Office of Consumer Advocate

**Reptg. PUC Staff:**  
                         Eric Wind, Esq.  
                         F. Anne Ross, Esq.  
                         Christopher Tuomala, Esq.  
                         Robyn Descoteau, Gas & Water Division

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

**I N D E X****PAGE NO.**

**WITNESS PANEL:**            **NICHOLAS A. LaCHANCE**  
                                 **STEPHEN P. ST. CYR**  
                                 **ROBYN J. DESCOTEAU**

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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 on Temporary Rates	<i>premarked</i>
2	Abenaki Rate Filing (10-30-20)	<i>premarked</i>
3	Abenaki Affidavit of Publication	<i>premarked</i>

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

CHAIRWOMAN MARTIN: We're here this morning in Docket DW 20-112 regarding the Abenaki Water Company, Incorporated, request for change in rates for a hearing on temporary rates.

I have to make the findings required for a remote hearing.

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

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

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

9 We have to take a roll call attendance.  
10 My name is Dianne Martin. I am the Chairwoman of  
11 the Public Utilities Commission. And I am alone.

12 Commissioner Bailey.

13 COMMISSIONER BAILEY: Good morning,  
14 everyone. Commissioner Kathryn Bailey. And I am  
15 alone.

16 CHAIRWOMAN MARTIN: Okay. Let's take  
17 appearances, starting with Ms. Brown.

18 MS. BROWN: Good morning,  
19 Commissioners. My name is Marcia Brown, and I  
20 was brought in yesterday to represent Abenaki  
21 Water Company in today's temporary rate hearing.  
22 With me today, if I can introduce the witnesses,  
23 is Nicholas LaChance, who is President of New  
24 England Service Company and Vice President of

1       Abenaki Water; and also Stephen P. St. Cyr, of  
2       Stephen P. St. Cyr & Associates.

3               And also as a, I guess, attendee, not a  
4       participant, is Bob Gallo, who is President of  
5       Abenaki Water, Vice President of New England  
6       Service Company. And, if there are any technical  
7       questions, he could be available to take any  
8       questions.

9               Thank you.

10              CHAIRWOMAN MARTIN: Okay. Thank you,  
11       Ms. Brown. And Ms. Shute.

12              MS. SHUTE: Good morning. My name is  
13       Christa Shute. I'm a Staff Attorney for the  
14       Office of the Consumer Advocate, participating  
15       today on behalf of residential ratepayers.

16              CHAIRWOMAN MARTIN: Thank you. And  
17       Mr. Wind.

18              MR. WIND: Good morning. My name is  
19       Eric Wind. I am appearing on behalf of  
20       Commission Staff today. Also entering an  
21       appearance is Attorney Anne Ross. And joining me  
22       today is Christopher Tuomala of the Legal  
23       Division and Robyn Descoteau of the Gas and Water  
24       Division.

1 CHAIRWOMAN MARTIN: Okay. Thank you.  
2 And, for the intervenors, I understand we have  
3 representatives. If you could just identify  
4 yourself for the record, that would be great. If  
5 you could, Mr. Woodruff.

6 MR. WOODRUFF: Yes. This is George  
7 Woodruff, for Tioga-Belmont. And with me is Jeff  
8 Phillips.

9 CHAIRWOMAN MARTIN: And, Ms. Speck, are  
10 you in the same position?

11 MS. SPECK: I am. I am Mrs. Jeni  
12 Speck. I am a representative from the Bow  
13 Village Shore Estates.

14 CHAIRWOMAN MARTIN: Excellent. Thank  
15 you. And I really appreciate you working to  
16 represent the intervenors. It really helps the  
17 process.

18 Okay. Anybody else who needs to be  
19 introduced?

20 *[No indication given.]*

21 CHAIRWOMAN MARTIN: All right. Seeing  
22 none. I have Exhibits 1 through 3 prefiled and  
23 premarked for identification.

24 Any other preliminary matters?

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

1 MS. BROWN: I'll just interject, Madam  
2 Chair, that this is Marcia Brown. And, by  
3 agreement, we have a panel to present this  
4 Settlement Agreement. And that panel will  
5 include Nicholas LaChance, Stephen St. Cyr, and  
6 Robyn Descoteau.

7 Thank you.

8 CHAIRWOMAN MARTIN: Okay. Excellent.  
9 Why don't we get those witnesses sworn in then.  
10 Mr. Patnaude.

11 (Whereupon **Nicholas A. LaChance,**  
12 **Stephen P. St. Cyr,** and **Robyn J.**  
13 **Descoteau** were duly sworn by the Court  
14 Reporter.)

15 CHAIRWOMAN MARTIN: Okay. Ms. Brown,  
16 go ahead.

17 MS. BROWN: Thank you.

18 **NICHOLAS A. LaCHANCE, SWORN**

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

20 **ROBYN J. DESCOTEAU, SWORN**

21 **DIRECT EXAMINATION**

22 BY MS. BROWN:

23 Q Mr. LaChance, can I please have you state your  
24 full name and employment for the record?



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

1 A (LaChance) My name is Nicholas LaChance,  
2 President, New England Service Company.

3 Q And, Mr. LaChance, can you please for the record  
4 just explain the structure of New England Service  
5 Company and Abenaki Water, how they relate to  
6 operating the water system?

7 A (LaChance) Yes. So, Abenaki Water is a wholly  
8 owned subsidiary of New England Service Company.

9 Q Thank you. Mr. LaChance, can you please explain  
10 your involvement with this rate proceeding?

11 A (LaChance) For this docket, I provide testimony  
12 in support of the rate adjustment, in support of  
13 the consolidation of rates, as well as the  
14 modification of the rules and regulations of the  
15 Company.

16 Q And, Mr. LaChance, did you have any involvement  
17 in the preparation of the schedules that were  
18 filed in this docket?

19 A (LaChance) Yes. I worked with Steve St. Cyr to  
20 put the -- to put the exhibits together, as much  
21 as I could.

22 Q Okay. Mr. LaChance, what do you consider to be  
23 your area of expertise?

24 A (LaChance) Yes. My area of expertise for the

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

1 Company is mainly pertaining to the financial and  
2 the regulatory oversight of the Company.

3 Q Okay. Mr. St. Cyr, can you please state your  
4 name and business for the record?

5 A (St. Cyr) Good morning. My name is Stephen P.  
6 St. Cyr. I'm the owner and operator of  
7 Stephen P. St. Cyr & Associates. And we do  
8 accounting, tax, management, and regulatory  
9 activities, mostly for utilities, and mostly  
10 water and sewer companies.

11 Q And, Mr. St. Cyr, is that your area of expertise?

12 A (St. Cyr) Yes, it is.

13 Q And can you please describe your involvement with  
14 this docket?

15 A (St. Cyr) So, I prepared the rate case schedules,  
16 prepared testimony, and provided oversight on  
17 probably all other aspects of the filing, and  
18 then actually made the filing.

19 Q Okay. Thank you. And, Ms. Descoteau, if I can  
20 turn to you, and have you state your full name  
21 and position for the record?

22 A (Descoteau) My full name is Robyn J. Descoteau.  
23 And I am a Staff Analyst in the Gas and Water  
24 Division.

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

1 Q Thank you. And can you please describe your  
2 involvement with this docket?

3 A (Descoteau) I reviewed Abenaki's Petition for  
4 Temporary Rates. I participated in the temporary  
5 rate settlement discussions. And I prepared  
6 Abenaki's 2019 earnings analysis found on Page 3  
7 of the Temporary Rate Settlement Agreement,  
8 Exhibit 1.

9 Q Appreciate that. Thank you. And, Ms. Descoteau,  
10 can you please describe what you consider to be  
11 your area of expertise?

12 A (Descoteau) Accounting and finance.

13 Q Thank you. And, Mr. LaChance, if I could turn  
14 back to you. And let me just go to Exhibit 2.  
15 Do you have Exhibit 2 in front of you, Mr.  
16 LaChance?

17 A (LaChance) I am pulling it up now.

18 Q For the record, Exhibit 2 is the rate filing, if  
19 that helps you locate it.

20 A (LaChance) Yes. I have it.

21 Q And, Mr. LaChance, if you could please confirm,  
22 what is Exhibit 2?

23 A (LaChance) It is the rate filing.

24 Q It is the rate filing? And did the Company make

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

1 two rate filings, a corrected one and an original  
2 one?

3 A (LaChance) Yes, it did.

4 Q And, so, which version is this Exhibit 2?

5 A (LaChance) It would be the -- it's the corrected  
6 filing from October 30th, 2020.

7 Q Okay. Thank you very much. Are you familiar  
8 with the contents of Exhibit 2?

9 A (LaChance) Yes.

10 Q And, Mr. St. Cyr, are you familiar with  
11 Exhibit 2?

12 A (St. Cyr) Yes, I am.

13 Q And is it the corrected rate filing, as Mr.  
14 LaChance just described it?

15 A (St. Cyr) Yes, it is.

16 Q Okay. Mr. St. Cyr, are you aware of any material  
17 changes or corrections that need to be made to  
18 Exhibit 2?

19 A (St. Cyr) No.

20 Q Mr. LaChance, same question to you. Are you  
21 aware of any changes or correct -- material  
22 changes or corrections that need to be made to  
23 Exhibit 2?

24 A (LaChance) No.

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

1 Q Okay. Thank you. And, Mr. St. Cyr, does  
2 Exhibit 2 contain the necessary rate case  
3 schedules required under the PUC rules, in  
4 particular the Puc 1604 rules?

5 A (St. Cyr) Yes, it does.

6 Q Mr. St. Cyr, continuing on with you. Did you  
7 prepare any temporary rate testimony within  
8 Exhibit 2?

9 A (St. Cyr) I did.

10 Q And, for the record, does that appear at Bates  
11 Page 237 -- I'm sorry, 273?

12 A (St. Cyr) Yes.

13 Q Okay. And are you aware, Mr. St. Cyr, of any  
14 changes or corrections that need to be made to  
15 that testimony?

16 Steve, we've lost your visual. Now  
17 you're back.

18 A (St. Cyr) I'm sorry. What was the question?

19 Q Are you aware of any changes or corrections that  
20 need to be made to that temporary rate testimony  
21 within Exhibit 2?

22 A (St. Cyr) No.

23 Q Okay. And would you adopt that written testimony  
24 as part of your testimony given orally today?

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

1 A (St. Cyr) Yes.

2 Q Okay. Now, in that testimony, did you summarize  
3 the need for rate relief by Abenaki?

4 A (St. Cyr) I did.

5 Q And can you please provide a summary of that  
6 explanation of need?

7 A (St. Cyr) Sure. So, the White Rock,  
8 Tioga-Gilford Village, and Tioga-Belmont water  
9 systems all experienced net losses during 1990 --  
10 during 2019. As such, part of the rate  
11 application is simply to allow those systems to  
12 recover its costs and earn its PUC authorized  
13 rate of return.

14 Each of the water systems incurred  
15 normal replacements of plant and/or new plant  
16 during the test year. Specifically,  
17 Tioga-Gilford Village and Tioga-Belmont made  
18 significant investments in the purchase and  
19 installation of meters.

20 Lakeland and White Rock's last rate  
21 increase was approved in DW 15-199, based on a  
22 *pro forma* test year of 2014. Tioga-Village [sic]  
23 and Tioga-Belmont's last rate increase was  
24 approved in DW 10-217, based on a *pro forma* test

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

1 year for the twelve months ended October 31,  
2 2009.

3 Q Mr. St. Cyr, are there any expenses for any of  
4 the divisions which stand out to you as being  
5 large drivers of the need for rate relief?

6 A (St. Cyr) So, they all lost money, or three of  
7 the four systems lost money. And most of that  
8 can be attributed to investments that the Company  
9 has made in plant, certainly since the last rate  
10 increases, but even, in some cases, during the  
11 test year.

12 Q Thank you for that explanation. Mr. LaChance, do  
13 you have anything to add to Mr. St. Cyr's  
14 testimony about highlighting certain expenses  
15 that, in particular, caused the need for rate  
16 relief?

17 A (LaChance) No.

18 Q Okay. Thank you. Mr. St. Cyr and Mr. LaChance,  
19 moving on to what's been marked for  
20 identification as "Exhibit 3" [Exhibit 1?], Mr.  
21 St. Cyr, did you participate in the Settlement  
22 with Staff and the Parties on temporary rates?  
23 It broke up on my end. So, I don't  
24 know if Steve heard your answer.

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

1 A (St. Cyr) I did participate in the discussions  
2 around the Settlement Agreement for temporary  
3 rates, yes.

4 MS. BROWN: Okay. Thank you. And I  
5 just noticed, when I said "Steve couldn't hear  
6 you", I was referring to the stenographer.

7 BY MS. BROWN:

8 Q Mr. St. Cyr, is Exhibit 1 the Settlement  
9 Agreement that you participated in?

10 A (St. Cyr) Yes, it is.

11 Q And, Mr. LaChance, the same question to you. Is  
12 Exhibit 1 the Settlement Agreement on Temporary  
13 Rates that you participated in?

14 A (LaChance) Yes.

15 Q Mr. St. Cyr, are you aware of any material  
16 changes or corrections that need to be made to  
17 this Exhibit 1?

18 A (St. Cyr) No.

19 Q Mr. LaChance, are you aware of any material  
20 changes or corrections that need to be made to  
21 Exhibit 1?

22 A (LaChance) I am not.

23 Q Okay. And that would be other than I think there  
24 was a typo in the first page referencing



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

1 "November 20th" versus "November 19th", but I  
2 represent that that's not material. But thank  
3 you for your answers.

4 Mr. St. Cyr, could you please turn to  
5 Page 3 of Exhibit 1? This is the page that has  
6 the chart on it.

7 A (St. Cyr) I'm there.

8 Q And can you, for the record, state -- do you know  
9 where the data, the underlying data for this  
10 chart came from?

11 A (St. Cyr) Yes. As noted in the schedule right at  
12 the bottom, the source is the "2019 PUC Annual  
13 Report and Filing Documents".

14 Q And, so, it references "filing documents". Would  
15 that be Exhibit 2?

16 A (St. Cyr) Yes.

17 Q Okay. Thank you. And, Mr. LaChance, I just had  
18 the same question to you. When the source note  
19 on the bottom of this chart notes that it's the  
20 "2019 Annual Report and its Filing Documents", is  
21 it your understanding also that the "filing  
22 documents" is referring to the rate case filing,  
23 which has been marked as "Exhibit 2"?

24 A (LaChance) Yes.

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

1 Q Okay. Thank you. Mr. St. Cyr, did you prepare  
2 this chart?

3 A (St. Cyr) No, I did not.

4 Q Who prepared it?

5 A (St. Cyr) Ms. Descoteau of the PUC Staff.

6 Q Okay. Thank you. And, Ms. Descoteau, if I could  
7 ask you a couple of questions about the chart.  
8 And do you have Exhibit 1, Page 3, in front of  
9 you?

10 A (Descoteau) I do.

11 Q Okay. Thank you. And are you familiar with this  
12 exhibit?

13 A (Descoteau) Yes, I am.

14 Q And do you have any changes or corrections that  
15 need to be made to this Exhibit 1?

16 A (Descoteau) No, I do not.

17 Q Okay. And did you participate in the drafting of  
18 this Exhibit 1?

19 A (Descoteau) Yes, I did.

20 Q And can you please explain what you relied on in  
21 creating Exhibit -- I believe you said you  
22 created this chart on Page 3. Can you explain  
23 what you relied on for the record?

24 A (Descoteau) For the chart on Page 3 of the

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

1 Settlement Agreement, I used the books and  
2 records on file with the Commission, specifically  
3 Abenaki's 2019 Annual Report and the rate filing,  
4 which has been identified as "Exhibit 2".

5 Q Okay. Thank you. And I believe you just said in  
6 your answer that the 2019 Annual Report and this  
7 rate filing are "on file with the Commission"?

8 A (Descoteau) Yes, they are.

9 Q Okay. Thank you. Mr. St. Cyr, I have a question  
10 back to you. What is the test year for the rate  
11 case? If you could please explain what test  
12 years are used for the divisions for the record?  
13 Thank you.

14 A (St. Cyr) So, Abenaki is utilizing -- I'm sorry,  
15 I thought I was on mute.

16 Abenaki is utilizing the twelve months  
17 ended December 31, 2019 for Lakeland Water and  
18 Sewer and White Rock. And it's using the twelve  
19 months ended April 30, 2020 for Tioga-Gilford  
20 Village and Tioga-Belmont. The Company is using  
21 the twelve months ended April 30, 2020 for  
22 Tioga-Gilford Village and Tioga-Belmont because  
23 there are only eight months of actual data in  
24 2019; the two systems were purchased by Abenaki

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

1 on May 1, 2019.

2 Q Thank you for that explanation. And,  
3 Ms. Descoteau, just one other question on the  
4 chart here. There's an asterisk at the bottom  
5 that says "Tioga Divisions Income and Expenses  
6 use December actuals". Do you see that  
7 notation?

8 A (Descoteau) I do.

9 Q And can you just explain what that footnote was  
10 intended to convey?

11 A (Descoteau) For the Tioga-Belmont and  
12 Tioga-Gilford systems, where they were acquired  
13 in May, they only had eight months' worth of  
14 actuals. So, to get a full year worth of  
15 projection, I took the ten months of actuals and  
16 multiplied them by four months -- I took the  
17 actuals -- the average, sorry, of the ten months,  
18 and then multiplied them by four, so a full  
19 twelve months would be in there. Sorry, it was  
20 "eight months", not "ten months".

21 Q Thank you. Thank you for that explanation. Mr.  
22 St. Cyr, now this chart has earnings  
23 deficiencies. Can you please explain by division  
24 what those -- the earnings deficiencies

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

1 illustrated by this chart?

2 A (St. Cyr) Sure. The very last line, with amounts  
3 on it, is identified as "Operating Income  
4 (Deficiency) Surplus". And, for each of the  
5 divisions, you can see Belmont Sewer Actual, it's  
6 a net loss of "\$7,002"; Belmont Water is a net  
7 income of "3,498"; and Bow is a net loss of  
8 "38,879"; Tioga-Gilford Village, a net loss of  
9 "27,030"; and Tioga-Belmont, a net loss of  
10 "35,774". And then, the combined water net loss  
11 is "98,184".

12 Q Thank you, Mr. St. Cyr. Are you familiar with  
13 the concept of underearning from a revenue  
14 requirement?

15 A (St. Cyr) Yes.

16 Q And, even though Belmont Water has a positive  
17 number, rather than a negative number, is that an  
18 underearning situation for that division?

19 A (St. Cyr) I would say no, that's not an  
20 underearning for that particular division.

21 Q Okay. I didn't know what -- if you could  
22 illustrate which -- what the required revenue --  
23 or, what the authorized revenue requirement was,  
24 and where these companies stood?

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

1 A (St. Cyr) I cannot do that. The required revenue  
2 requirement isn't identified on this particular  
3 schedule. So, I can't compare what the required  
4 revenue requirement is versus what's shown as the  
5 actual results.

6 Q Okay. But is it the bottom line of this chart  
7 then to illustrate that there are earnings  
8 deficiencies among the divisions?

9 A (St. Cyr) Yes. As noted, all but one of the  
10 systems is experiencing net losses.

11 Q Okay. And, Ms. Descoteau, do you have anything  
12 to add to Mr. St. Cyr's explanation concerning  
13 deficiencies?

14 A (Descoteau) I don't understand the question.

15 Q What is Staff's position with respect to the  
16 divisions and whether they are underearning?

17 A (Descoteau) At this point, the divisions, all but  
18 the Belmont Water, appear to be underearning.  
19 But the numbers have not been vetted through the  
20 permanent rate case as of yet.

21 Q Okay. Thank you. Mr. St. Cyr, can I have you  
22 turn to the bottom part of Page 3, the terms of  
23 the Settlement. And what temporary rates are  
24 proposed in this Settlement Agreement?

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

1 A (St. Cyr) So, the Parties have agreed that the  
2 existing permanent rates will be used for  
3 temporary rates.

4 Q And, Mr. St. Cyr, what is the effective date  
5 proposed?

6 A (St. Cyr) So, the Parties have agreed that the  
7 effective date for temporary rates would be for  
8 service rendered after December 31, 2020.

9 Q And you said "service rendered", rather than  
10 "bills rendered", is that right?

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

12 Q Okay. Mr. LaChance, for the record, how  
13 frequently does the Company bill customers?

14 A (LaChance) The Company bills all systems on a  
15 monthly basis.

16 Q Okay. Thank you. And, Mr. LaChance, did the  
17 Company notify customers of this rate case?

18 A (LaChance) Specifically, on September 29th, 2020,  
19 the Company filed its Notice of Intent to the PUC  
20 regarding the intent to file a case. On October  
21 30th, Abenaki filed its tariffs, provided the  
22 required thirty days notice before the effective  
23 date of its rate tariffs, which was December 1st,  
24 2020.

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

1                   On December 9th, 2020, the Company  
2                   mailed to each of the customers notices  
3                   pertaining to the application and outlining the  
4                   application. On December 23rd, 2020, the Company  
5                   published the Commission's Order of Notice on the  
6                   Company's website. Then, on December 24th, 2020,  
7                   the Company published the Commission's corrected  
8                   Order of Notice on the Company's website.

9   Q   And all of those notifications and activities are  
10       before the December 31st effective date, is that  
11       correct?

12   A   (LaChance) That's correct.

13   Q   And, Mr. St. Cyr, did you file an affidavit of  
14       publication with the Commission to document the  
15       posting of the orders on the Company's website?

16   A   (St. Cyr) Yes.

17   Q   And is that Exhibit 3?

18                   *[Short pause.]*

19   BY MS. BROWN:

20   Q   I'm sorry. I don't know if you heard me or I  
21       didn't hear you. Is Exhibit 3 the affidavit that  
22       you filed documenting that the posting of the  
23       orders occurred?

24   A   (St. Cyr) Yes, it is.



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

1 Q Okay. Thank you. Mr. St. Cyr, will customers  
2 see any change in rates reflected in their bills  
3 if the Commission approves the temporary rates?

4 A (St. Cyr) No.

5 Q And, Mr. St. Cyr, are temporary rates  
6 reconcilable with permanent rates at the  
7 conclusion of this rate proceeding?

8 A (St. Cyr) Yes, they are.

9 Q And, Mr. St. Cyr, can you please explain for the  
10 record how reconciliation is calculated?

11 A (St. Cyr) So, once the permanent rates are  
12 established, the Company will apply those  
13 permanent rates to the period that the temporary  
14 rates are effective to determine what the revenue  
15 would have been during that period. The Company  
16 will then compare what the revenue would have  
17 been versus what the revenue actually was to  
18 determine what the difference is.

19 The Company will then propose that the  
20 difference be recovered over some period of time  
21 via a surcharge to customers. And, of course,  
22 whatever the Company proposes, that would be  
23 reviewed by the Staff and Parties, and ultimately  
24 approved by the Commission.

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

1 Q Okay. Thank you. Mr. LaChance, do you have  
2 anything to add to Mr. St. Cyr's explanation of  
3 the reconciliation process?

4 A (LaChance) I do not.

5 Q Okay. Thank you. Now, Mr. LaChance, do you have  
6 an opinion as to whether the temporary rates will  
7 be just and reasonable, if approved by the  
8 Commission?

9 A (LaChance) Yes.

10 Q And what is that opinion?

11 A (LaChance) I believe setting the current rates as  
12 temporary rates is just and reasonable.

13 Q And, Mr. St. Cyr, do you have a opinion as to the  
14 just and reasonableness of these proposed  
15 temporary rates?

16 A (St. Cyr) Yes. And I, too, believe that they are  
17 just and reasonable.

18 Q Okay. And I have a question, Mr. St. Cyr, if I  
19 could follow up. You just ran through, on  
20 Exhibit 1, on Page 3, that there were earnings  
21 deficiencies on a majority of the divisions.  
22 And, if divisions are not presently earning,  
23 they're in an earnings deficiency, how is it that  
24 keeping those rates and keeping that earnings

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

1       deficiency for the pendency of this proceeding,  
2       how can that be just and reasonable? Is it the  
3       reconciliation mechanism that cures that?

4   A    (St. Cyr) Yes. Because the current rates are the  
5       temporary and subject to reconciliation,  
6       permanent rates will be applied to that temporary  
7       rate period, thus making the current rates just  
8       and reasonable.

9   Q    Okay. All right. And, Mr. LaChance, do you  
10       agree that, because the Company will eventually  
11       be able to recover these unbilled revenues, that  
12       that factors into your opinion as to the just and  
13       reasonableness of the temporary rates?

14   A    (LaChance) Yes.

15   Q    Okay. Ms. Descoteau, if I can just turn to you.  
16       Do you have an opinion on the just and  
17       reasonableness of the proposed temporary rates?

18   A    (Descoteau) I believe the proposed temporary  
19       rates are just and reasonable based on the  
20       records on file with the Commission. The rate  
21       filing by the Company has proposed factors which  
22       need to be examined prior to the determination of  
23       permanent rates. Among these are consolidation  
24       of rates for its water divisions and changes to

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

1 its tariff, which will be fully examined during  
2 the permanent rates portion of this proceeding.

3 Setting temporary rates at current  
4 levels provides Abenaki with a mechanism to  
5 recover the difference between the rates set in  
6 this proceeding and the rates set in the  
7 permanent proceeding.

8 MS. BROWN: Okay. Thank you. I have  
9 no further direct questions of the panel.

10 CHAIRWOMAN MARTIN: Okay. Thank you,  
11 Ms. Brown.

12 Mr. Wind, do you have any other  
13 direct?

14 MR. WIND: I have no direct.

15 CHAIRWOMAN MARTIN: Okay. And is there  
16 any cross? Ms. Shute?

17 MS. SHUTE: I do not have any cross.  
18 Thank you.

19 CHAIRWOMAN MARTIN: Okay. And any  
20 questions from the representatives?

21 MR. PHILLIPS: Just a quick question.  
22 Mr. Phillips, from Tioga-Belmont.

23 **CROSS-EXAMINATION**

24 BY MR. PHILLIPS:

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

1 Q Could Mr. St. Cyr or Mr. LaChance tell us if they  
2 think that the proposed 428 percent increase,  
3 should the consolidation not be allowed by the  
4 PUC, be granted, if the 428 percent increase in  
5 water rates are just and fair under those  
6 situations?

7 A (St. Cyr) I guess I could --

8 Q That was directed to either Mr. St. Cyr or Mr.  
9 LaChance, either one.

10 A (St. Cyr) So, I would say that that will be fully  
11 vetted in the permanent phase of the rate  
12 proposing. That, at that point, you know, the  
13 Parties will have an opportunity to review rate  
14 base, including not only the current, but the  
15 proposed additions to plant for Tioga-Belmont.  
16 And you'll have a chance to review and comment on  
17 the rate of return and the operating expenses,  
18 both as they're incurred and as proposed by the  
19 Company.

20 MR. PHILLIPS: Okay. Mr. Woodruff.

21 MR. WOODRUFF: I had one other  
22 question.

23 BY MR. WOODRUFF:

24 Q If you're going to recoup the past year

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

1 difference between the permanent rate and our  
2 existing rate, exactly how are you going to  
3 recoup it? Is this going to be something, all of  
4 a sudden, in December, I'm going to have a  
5 thousand dollar bill waiting for me, because I  
6 got a whole year of recouping payment? Because,  
7 if you get a 100 percent increase, I'm doubling  
8 my water bill to start with. Now, you're going  
9 to double my -- add another three times my water  
10 bill.

11 And am I going to get hit with that all  
12 at once in December? Or, are you going to extend  
13 this out over, say, 24 months? What kind of idea  
14 you got with this?

15 A (St. Cyr) So, that has yet to be determined.  
16 Certainly, the Company will do the calculation,  
17 once permanent rates are determined, and look at  
18 what that amount is. It's normally recovered via  
19 a surcharge added to customer bills. The Company  
20 has the opportunity to sort of propose what that  
21 recovery period is as part of its proposal. And  
22 then, of course, it's then reviewed by the Staff  
23 and the Parties, including yourself. It's open  
24 to discussion.

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

1                   It certainly wouldn't be all collected  
2                   at one time. You know, the recovery periods tend  
3                   to be anywhere from probably a year to two, to  
4                   three, maybe four. So, that would be, once the  
5                   final amount is determined, there would be some  
6                   discussion over what's the appropriate period for  
7                   recovery.

8                   MR. WOODRUFF: Okay. Thank you.

9                   WITNESS ST. CYR: You're welcome.

10                  MS. SPECK: I had a question.

11 BY MS. SPECK:

12 Q           In regards to the deficiencies, you claim the  
13           reason being is, you know, the typical investment  
14           into the properties, into the utility, into the  
15           plant, sorry, I'm trying to use the correct  
16           verbiage. As far as that goes, do you not feel  
17           that purchasing additional small systems had  
18           anything to do with those deficiencies, as  
19           evidenced by the fact that some of them were  
20           purchased in the test year, you know, and only  
21           have eight months' worth of rate filings? Do you  
22           see that as a contributing factor to the  
23           deficiencies?

24 A           (St. Cyr) So, each of the systems, because

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

1       they're separate entities for rate purposes, the  
2       present rates are based on the, you know, the  
3       rate base and return and expenses of each  
4       individual system. So, the purchase of another  
5       system wouldn't directly impact the earnings or  
6       deficiency of another system.

7   Q     But it does get calculated in the fair rate of  
8       return as losses -- or, as debt, excuse me?

9   A     (St. Cyr) So, yes. Each system doesn't have its  
10      own capital structure. You know, that's done on  
11      a company-wide basis. So, when the Company goes  
12      out and borrows money, then that's a contributing  
13      factor to the rate of return applied to all the  
14      systems.

15   Q     So, then, inherently, wouldn't it be -- I'm  
16       sorry.

17   A     (St. Cyr) I was just going to say, so, in that  
18      regard, I think earlier I said it doesn't  
19      directly impact the rates of each of the systems,  
20      but it does indirectly impact it, in that the  
21      same rate of return is being used for each of the  
22      systems.

23                 I would point out, to the extent that  
24      the Company is using debt, for example, and the



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

1 debt is very low cost, that has a tendency to  
2 bring down the rate of return.

3 CHAIRWOMAN MARTIN: Ms. Speck, are you  
4 all set? Can you hear me?

5 *[Ms. Speck indicating in the*  
6 *affirmative.]*

7 CHAIRWOMAN MARTIN: Okay. Commissioner  
8 Bailey, do you have questions?

9 COMMISSIONER BAILEY: I just have one  
10 follow-up to that line of questioning.

11 BY COMMISSIONER BAILEY:

12 Q Mr. St. Cyr, if the Company had not purchased  
13 Tioga, would the Bow actual operating income  
14 deficiency still be "\$38,879"?

15 A (St. Cyr) I would say, substantially, yes. I  
16 guess my hesitation was, I look at -- I'm looking  
17 at the chart, and I'm looking at the approved  
18 rate of return. And I don't believe that's  
19 affected by any amount of debt that the Company  
20 might have incurred with respect to  
21 Tioga-Village *[sic]* and Tioga-Belmont.

22 So, I think the answer would be that  
23 the Bow deficiency would be unaffected.

24 Q Does the rate of return decrease as a result of

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

1 the Company's increased low-cost debt?

2 A (St. Cyr) So, I'd have to look at the capital  
3 structure. I guess, if you can give me a second,  
4 I'll do that. Perhaps you have another question  
5 for somebody else, and I'll look --

6 Q Well, maybe Mr. LaChance knows. I mean,  
7 Mr. LaChance, was your rate of -- authorized rate  
8 of return higher or lower before you purchased  
9 Tioga and incurred that debt?

10 A (LaChance) I would have to refer back to the  
11 schedules. I would -- my intuition would think  
12 that it was lowered, because of the assumption of  
13 the SRF funding or the SRF loan that the Company  
14 made in conjunction with the acquisition of the  
15 Tioga systems.

16 But, again, that would be my gut  
17 feeling on it. We would have to substantiate  
18 that through Steve's records, through the  
19 Company's records.

20 Q Does anybody know if the capital structure is  
21 more weighted toward debt now than it was  
22 before?

23 A (LaChance) At the time --

24 A (St. Cyr) So, yes. It's more weighted towards

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

1       debt. As Mr. LaChance indicated, the assumption  
2       of the SRF loans, with the purchase of  
3       Tioga-Gilford and Tioga-Belmont, would have added  
4       more debt to the existing current structure. And  
5       it would have made the debt portion of the  
6       capital structure greater, and that interest rate  
7       is among the lowest, if not the lowest. So, that  
8       actually has a positive effect on the rate of  
9       return, meaning that it would lower the rate of  
10      return.

11               COMMISSIONER BAILEY: Thank you.  
12      That's all I have.

13               CHAIRWOMAN MARTIN: Okay. Thank you.  
14      I have no other questions.

15               Ms. Brown, do you have any redirect?

16               MS. BROWN: I'm not getting a signal  
17      from either of my witnesses that I need redirect.  
18      I didn't think I needed redirect.

19               Thank you.

20               CHAIRWOMAN MARTIN: Okay. Then,  
21      without objection, we'll strike ID on Exhibits 1  
22      through 3 and admit those as full exhibits.

23               Is there anything else we need to cover  
24      before we hear closings?

1                   *[No indication given.]*

2                   CHAIRWOMAN MARTIN: All right. Seeing  
3 none. Let's start with the closings, and  
4 Mr. Shute.

5                   MS. SHUTE: Thank you, Chairwoman  
6 Martin and Commissioner Bailey.

7                   While the OCA has concerns about this  
8 docket overall, we've entered the Settlement  
9 Agreement because we believe its clear that the  
10 Company is at least not making its reasonable  
11 return, and therefore that setting of temporary  
12 rates at current rates is a just and reasonable  
13 solution.

14                  And we look forward to working with the  
15 Parties to get to a settlement or bring this to  
16 hearing in the permanent rate case.

17                  Thank you.

18                  CHAIRWOMAN MARTIN: Okay. Thank you.  
19 And, Mr. Woodruff, were you planning to make a  
20 closing?

21                  MR. WOODRUFF: We're good with what  
22 we've heard so far. Thank you.

23                  CHAIRWOMAN MARTIN: Okay. Thank you.  
24 And Mrs. Speck?

1 MS. SPECK: We concur, or I concur, for  
2 on the behalf of Bow.

3 CHAIRWOMAN MARTIN: Okay. Thank you.  
4 And Mr. Wind.

5 MR. WIND: Thank you.

6 For the reasons outlined in the  
7 presentation here today, Commission Staff  
8 supports setting temporary rates at current  
9 levels for service rendered after December 31,  
10 2020. We note that this is a Settlement that has  
11 been reached by a diverse array of parties and  
12 intervenors. We believe that it is in the public  
13 interest, pursuant to RSA 378:27, to leave  
14 current rates in effect until the particular  
15 issues in this case can be fully vetted, and that  
16 those rates be subject to recoupment. As  
17 indicated in the Settlement Agreement, these  
18 issues include the magnitude of the increases  
19 sought for certain water systems, complaints  
20 about service quality raised by ratepayer  
21 intervenors, the Company's rate consolidation  
22 proposal, and tariff changes.

23 Staff believes that the Settlement  
24 meets the Company need for rate relief, while

1       avoiding both an immediate increase to rates and  
2       any negative impacts to the Company, which might  
3       ultimately result in higher costs to ratepayers.

4               To that end, the Staff agrees the rates  
5       are just and reasonable and in the public  
6       interest, and recommends that the Commission  
7       approve this Settlement as requested by the  
8       Parties.

9               CHAIRWOMAN MARTIN:   Okay.   Thank you,  
10       Mr. Wind.   And Ms. Brown.

11              MS. BROWN:   Thank you, Commissioners,  
12       for your time today.

13              The Company respectfully requests that  
14       the Commission approve the temporary rates,  
15       because not only the Company, but Staff, the OCA,  
16       and the Bow intervenor group, the Belmont  
17       intervenor group have all come together in this  
18       Settlement Agreement and agreed that the proposed  
19       temporary rates are just and reasonable.   The  
20       Commission has authority under 378 to award  
21       temporary rates.   And, in this case, the Company  
22       believes it is ripe to have temporary rates,  
23       especially with the reconciliation feature  
24       towards the end, in order to make them whole

1           during the pendency of this rate case.

2                       So, the effective date, with respect to  
3           that, you've heard evidence today that the  
4           notifications to customers occurred well before  
5           the effective date, and the effective date is on  
6           a service-rendered basis, which is consistent  
7           with the Commission's rules. And the effective  
8           date is no sooner than the rate filing, which  
9           would have been back in September, which is  
10          another threshold under the Supreme Court case  
11          *Appeal of Pennichuck*.

12                      So, again, thank you for your time  
13          today. And the Company respectfully requests  
14          that the Commission approve the Settlement on  
15          Temporary Rates.

16                      Thank you.

17                      CHAIRWOMAN MARTIN: Okay. Thank you.  
18          We'll take that under advisement.

19                      And I just wanted to specifically note  
20          how grateful we are for the work collaboratively  
21          to get this together, and especially to the  
22          intervenors for working together. It's very  
23          impressive. So, thank you for that.

24                      And we are adjourned for today. Have a

1           good rest of the day.

2                           ***(Whereupon the hearing was adjourned***  
3                           ***at 10:54 a.m.)***

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