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* * *

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LARRY D. GOODHUE
DONALD L. WARE
JAYSON P. LAFLAMME

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E X H I B I T S

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1	Pennichuck East Utility, Inc., Rate Filing	<i>premarked</i>
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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 20-156 for a hearing
4 regarding the Pennichuck East Utility,
5 Incorporated, Petition for Temporary Rates.

6 We have to make some findings because
7 this is a remote hearing.

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

21 All members of the Commission have the
22 ability to communicate contemporaneously during
23 this hearing, and the public has access to
24 contemporaneously listen and, if necessary,

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

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

12 Commissioner Bailey.

13 COMMISSIONER BAILEY: Good afternoon,
14 everyone. Kathryn Bailey, Commissioner at the
15 Public Utilities Commission. And I am alone.

16 CHAIRWOMAN MARTIN: Okay. And let's
17 take appearances, starting with Attorney Brown.

18 MS. BROWN: Good afternoon, Chairwoman
19 Martin and Commissioner Bailey. My name is
20 Marcia Brown, with NH Brown Law. And with me
21 today we'll be presenting as a panel for the
22 exhibits, Mr. Larry Goodhue, who is the Chief
23 Executive Officer and Chief Financial Officer of
24 Pennichuck East utility; also Don Ware, Chief

1 Operating Officer of Pennichuck East Utility.

2 Also in attendance is Carol Ann Howe,
3 who's the Assistant Treasurer and Director of
4 Regulatory Affairs and Business Services; as well
5 as Jay Kerrigan, who's a Regulatory Treasury
6 Financial Analyst; George Torres, who is the
7 Company's Corporate Controller, Treasurer, and
8 Chief Accounting Officer; and, lastly, Chris
9 Countie, who is the Director of Water Supply and
10 Community Systems.

11 Thank you.

12 CHAIRWOMAN MARTIN: Okay. Thank you,
13 Ms. Brown. And Mr. Kreis.

14 We can't hear you. Are you on mute?
15 Still can't hear you.

16 MS. BROWN: The mike was green, but we
17 couldn't hear you, Don.

18 CHAIRWOMAN MARTIN: Were you able to
19 hear him in the pre-hearing session? Okay.

20 MS. LEMAY: Jody, you can try unmuting
21 him.

22 MR. KREIS: How about now?

23 CHAIRWOMAN MARTIN: Yes. You're fine.

24 MR. KREIS: Can't account for that.

1 Good afternoon, everybody. I am Donald Kreis,
2 the Consumer Advocate, here on behalf of
3 residential customers.

4 CHAIRWOMAN MARTIN: Okay. Thank you.
5 And Ms. Fabrizio.

6 MS. FABRIZIO: Thank you. Good
7 afternoon, Madam Chair and Commissioner Bailey.
8 My name is Lynn Fabrizio. I'm a Staff Attorney
9 here at the Commission. And I'm here today on
10 behalf of Staff in this docket.

11 With me is Jayson Laflamme, Assistant
12 Director of the Gas and Water Division at the
13 Commission, who will be introduced as Staff's
14 witness today.

15 CHAIRWOMAN MARTIN: Great. Thank you.

16 And we have the Towns of Londonderry,
17 Litchfield, Pelham, and Hooksett?

18 MR. LIRETTE: Good afternoon, everyone.
19 My name is Ryan Lirette, from Sheehan, Phinney,
20 Bass, & Green. And I am here on behalf of the
21 Towns of Pelham, Litchfield, Londonderry, and
22 Hooksett. I am alone.

23 CHAIRWOMAN MARTIN: Okay. Thank you.
24 And Mr. Myers.

1 MR. MYERS: Good afternoon,
2 Commissioners. Attorney Andrew Myers, I'm here
3 in Derry. I represent myself and 21 other PEU
4 ratepayers. And I'm alone.

5 Thank you.

6 CHAIRWOMAN MARTIN: Okay. Thank you,
7 Mr. Myers. And we'll hear from you on that
8 Motion to Clarify in a few minutes.

9 And who else do we have? Other
10 intervenors here to be heard today? Mr. Husband,
11 I see you. Go ahead.

12 MR. HUSBAND: Okay. Good afternoon.
13 This is Richard Husband. I am at my house. And
14 I am alone, except that my wife is upstairs
15 working in another room.

16 CHAIRWOMAN MARTIN: Okay. Great.
17 Thank you.

18 And do we have any other intervenors as
19 attendees or anyone else we need to hear from?
20 Looks like this is everyone on the screen.

21 *[No indication given.]*

22 CHAIRWOMAN MARTIN: Jody, no one else
23 needing to be pulled up that you know of?

24 MS. CARMODY: No.

1 CHAIRWOMAN MARTIN: Okay. Great. All
2 right.

3 Then, I have Exhibits 1 through 3
4 prefiled and premarked for identification. Any
5 other -- anything else related to exhibits?

6 *(Atty. Brown indicating in the*
7 *negative.)*

8 CHAIRWOMAN MARTIN: Okay. Seeing
9 none.

10 The other preliminary matter I have is
11 related to Mr. Myers' Motion for Clarification.
12 Mr. Myers, would you like to be heard on that?

13 MR. MYERS: Sure. Thank you.

14 The correspondence from the Commission
15 dated March 22nd, in my mind anyhow, maybe I'm
16 wrong, indicated that, although I stated that I
17 "represented 21 other residential ratepayers, the
18 Commission has granted Mr. Myers' individual
19 request to intervene only, and is not granting
20 intervenor status to the 21 unidentified
21 ratepayers."

22 And I never intended to have 21
23 separate intervenors. I simply meant to file one
24 Petition for Intervention. And I just sought

1 clarification to note that there's only one
2 Petition for Intervention, but, through that, I
3 still represent the interests of 21 PEU
4 ratepayers, who did, in fact, sign in support of
5 the petition.

6 CHAIRWOMAN MARTIN: Can I just ask you
7 a couple questions on that?

8 So, are you -- I think I asked you at
9 the original -- at the prehearing conference,
10 whether you were appearing on their behalf as
11 their counsel?

12 MR. MYERS: Yes, ma'am.

13 CHAIRWOMAN MARTIN: Okay. And, so,
14 they would actually each be intervenors, but you
15 are their counsel and appearing on their behalf.
16 Is that right?

17 MR. MYERS: Well, I didn't intend, and,
18 again, I intended only to point out that I
19 represent them, I have agreements with them. The
20 content of those agreements would be
21 confidential. But they have all signed
22 agreements with me to represent them. And I just
23 want their voices to be heard.

24 They're not going to individually

1 intervene. I'm the only person that's
2 intervening for them, as their counsel.

3 CHAIRWOMAN MARTIN: Okay. I think I
4 understand that you're their counsel, you're
5 representing them here today. But you are acting
6 on their behalf, as opposed to just in your own
7 interest?

8 MR. MYERS: Yes.

9 CHAIRWOMAN MARTIN: Okay. All right.
10 Does anyone else want to be heard on that?

11 MS. BROWN: I'd just like to put --

12 CHAIRWOMAN MARTIN: Commissioner
13 Bailey, do you have any questions? Go ahead,
14 Attorney Brown.

15 MS. BROWN: No, I just wanted to put
16 the Company's position on the record, that
17 there's no objection to this, I guess, structure
18 of intervention request.

19 CHAIRWOMAN MARTIN: Okay. Anything
20 from Staff?

21 MS. FABRIZIO: Staff, as the Company,
22 has the same position that we expressed earlier.
23 I'm still a little bit confused as to whether Mr.
24 Myers expects the 21 others to be individually

1 named in each filing, or whether he is
2 intervening himself and filing on behalf of the
3 others?

4 I'm not sure if that even makes sense.
5 But we've had some back-and-forth, and there
6 remains a little bit of confusion on Staff's end.

7 CHAIRWOMAN MARTIN: I understand your
8 confusion. Oh, Mr. Kreis, go ahead, before I
9 jump in. You're on mute.

10 MR. KREIS: Okay. Am I on mute now?

11 CHAIRWOMAN MARTIN: No, we can hear
12 you.

13 MR. KREIS: I'm not really sure why
14 this isn't working today.

15 I'm confused about why anybody else is
16 confused. Mr. Myers has I think he said 21
17 individual clients, each of whom has the standing
18 to intervene in this case, because each of them
19 is a customer. He himself is a customer. And he
20 is an attorney, licensed to practice in New
21 Hampshire, which means there's no question that
22 he has the right to represent them.

23 I think that it might make sense to
24 invoke the provision of the Administrative

1 Procedure Act that talks about grouping
2 interventions, because clearly that group of 22
3 customers intends to act as one unit. And, as
4 far as how to refer to them, I don't know, you
5 could make up a name for that particular group.

6 But I am sort of puzzled. And I guess
7 what I really want to say is, I hope the
8 Commission will grant Mr. Myers's motion, because
9 I think his request is a reasonable one.

10 CHAIRWOMAN MARTIN: Thank you, Mr.
11 Kreis. I agree with you on all of the legal
12 statements you just made. I think Mr. Myers'
13 statement was a little confusing to Attorney
14 Fabrizio's point, which is that he's "only
15 intervening himself", essentially.

16 But, based upon the representations in
17 his original motion, and the attachment with all
18 of the individual ratepayers, and the assertions
19 therein, I agree with you. They would all have
20 standing and the right to intervene.

21 I just want to make sure Commissioner
22 Bailey gets a chance to be heard, if she has any
23 comments on this.

24 COMMISSIONER BAILEY: Do we have the

1 names of these 21 ratepayers?

2 CHAIRWOMAN MARTIN: Yes. They're in
3 the original motion, the Petition to Intervene,
4 and the addresses and signatures.

5 COMMISSIONER BAILEY: Okay. Thank you.
6 I don't have any other questions.

7 CHAIRWOMAN MARTIN: Okay. And then, we
8 will grant that Motion for Clarification. I
9 thought I recalled that discussion at the
10 prehearing conference as well. So, I apologize
11 for that lack of clarity in our letter.

12 MR. MYERS: Thank you. And I apologize
13 if there was any lack of clarity in what I had
14 presented in my petition. But, thank you.

15 CHAIRWOMAN MARTIN: No. We all got on
16 the same page at the end of the day. So, it
17 works out.

18 Any other preliminary matters?

19 *[No indication given.]*

20 CHAIRWOMAN MARTIN: Okay.

21 MS. FABRIZIO: Madam Chair, I would
22 just note, it's in the record, but Intervenor
23 Nicole Fordey withdrew her intervention, because
24 she was moving out-of-state. I just wanted to

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 bring that to your attention.

2 CHAIRWOMAN MARTIN: Yes. Noted. Thank
3 you.

4 All right. Let's have the witnesses
5 sworn in please, Mr. Patnaude.

6 (Whereupon **Larry D. Goodhue,**
7 **Donald L. Ware,** and **Jayson P. Laflamme**
8 were duly sworn by the Court Reporter.)

9 CHAIRWOMAN MARTIN: Okay. Thank you.
10 Ms. Brown.

11 MS. BROWN: And, Commissioners, the
12 Company is going to question its witnesses, and
13 then hand it over to Staff with Mr. Laflamme.
14 That's how we've agreed we would proceed with the
15 panel.

16 **LARRY D. GOODHUE, SWORN**

17 **DONALD L. WARE, SWORN**

18 **DIRECT EXAMINATION**

19 BY MS. BROWN:

20 Q So, Mr. Goodhue, could you please state your name
21 for the record.

22 A (Goodhue) My name is Larry Donald Goodhue.

23 Q And what positions do you hold with Pennichuck
24 East Utility?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Goodhue) With Pennichuck East Utility, I hold
2 the positions of Chief Executive Officer and
3 Chief Financial Officer.

4 Q And Pennichuck East Utility has affiliates, is
5 that correct?

6 A (Goodhue) That is correct.

7 Q And do you hold any positions with Pennichuck
8 East affiliates?

9 A (Goodhue) I hold positions of Chief Executive
10 Officer and Chief Financial Officer for the
11 parent corporation, Pennichuck Corporation, and
12 for the sister subsidiaries of Pennichuck East
13 Utility, being Pennichuck Water Works,
14 Incorporated, Pittsfield Aqueduct Company,
15 Incorporated, Pennichuck Water Service Company,
16 and the Southwood Corporation.

17 Q Thank you, Mr. Goodhue. Before you held these
18 multiple positions, were these positions held by
19 multiple people?

20 A (Goodhue) Yes, they were.

21 Q And does this present consolidation of
22 responsibilities save the Company's expense,
23 including Pennichuck East?

24 A (Goodhue) Yes. Since I assumed the role of Chief

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Executive Officer near the end of 2015, I have
2 held two roles, and, in essence, we have saved
3 one salary during that interim period of time.

4 Q Thank you for that explanation. Mr. Ware, could
5 you please state your name for the record?

6 A (Ware) Yes. My name is Donald Ware.

7 Q And can you please state your position for the
8 record for Pennichuck East Utility?

9 A (Ware) I am the Chief Operating Officer for
10 Pennichuck East Utility.

11 Q And do you hold any positions with
12 Pennichuck's -- Pennichuck East affiliates?

13 A (Ware) Yes. I am the Chief Operating Officer of
14 Pennichuck Corporation, of Pennichuck Water
15 Works, Inc., Pittsfield Aqueduct Company,
16 Pennichuck Water Service Company, and the
17 Southwood Corporation.

18 Q Okay. Thank you. And, Mr. Goodhue, Mr. Ware, do
19 you have Exhibit 1 in front of you? And, for the
20 record, I'd like to note that Exhibit 1
21 premarked for identification is the Company's
22 rate filing.

23 A (Goodhue) This is Mr. Goodhue. I do have
24 Exhibit 1 in front of me.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) And this is Mr. Ware. I also have
2 Exhibit 1 in front of me.

3 Q Okay. Mr. Goodhue, are you familiar with the
4 contents of Exhibit 1?

5 A (Goodhue) Yes, I am.

6 Q Mr. Ware, are you familiar with the contents of
7 Exhibit 1?

8 A (Ware) Yes, I am.

9 Q And, Mr. Ware, in particular, are you familiar
10 with the rate case schedules to implement the
11 general rate case that were contained within this
12 exhibit?

13 A (Ware) Yes, I am.

14 Q And were those rate schedules prepared by you or
15 under your direct supervision?

16 A (Ware) Yes, they were.

17 Q And can I have you please turn to tab, Mr. Ware,
18 please turn to Tab 13 of Exhibit 1? And, for
19 the record, this is on Bates Page 175.

20 A (Ware) Okay. I have turned to that tab.

21 Q Okay. Mr. Ware, Tab 13, the title page says
22 "1604.06 and 1604.07 Filing Requirement
23 Schedules". And are these some of the schedules
24 that you assisted in preparing?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) Yes, they are.

2 Q And are these schedules required of the
3 Commission's rules?

4 A (Ware) Yes, they are.

5 Q Okay. And, with respect to Tab 14, if I can have
6 you, Mr. Ware, turn to that tab. And, for the
7 record, this is Bates Page 220.

8 A (Ware) I have turned to that page.

9 Q And these are the rate of return schedules, is
10 that correct?

11 A (Ware) That is correct.

12 Q Okay. A general question for you, Mr. Ware. Is
13 Exhibit 1 on file with the Commission?

14 A (Ware) Yes.

15 Q Okay. And, Mr. Ware, do the schedules, which
16 we'll discuss in more detail later, at Tabs 13
17 and 14, do they generally show that the Company
18 is in need of an increase to its last authorized
19 revenue requirement?

20 A (Ware) Yes, they do.

21 Q Okay. Now, Mr. Goodhue, if I can just turn to
22 you to authenticate a few things in Exhibit 1.
23 Did you prepare testimony that was filed within
24 this rate -- this Exhibit 1?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Goodhue) Yes. Yes, I did. I prepared
2 testimony.

3 Q And was that for permanent rates?

4 A (Goodhue) Yes, it was.

5 Q And, if I could have you turn to Tab 9 please.
6 And, for the record, this is Bates Page 067.

7 And the question -- if you are there,
8 Mr. Goodhue?

9 A (Goodhue) I am turning to that page. Yes, ma'am.

10 Q Okay. And the testimony that you supplied for
11 permanent rates, does that appear at Tab 9 of
12 Exhibit 1?

13 A (Goodhue) It does, beginning at Page -- Bates
14 Page 067.

15 Q Thank you. Now, Mr. Goodhue, did you also
16 prepare testimony in support of a temporary rate
17 request?

18 A (Goodhue) Yes, I did.

19 Q And, if we could go back to Tab 6, which would be
20 Bates Page 048?

21 A (Goodhue) Yes. I'm there.

22 Q Okay. And is the testimony appearing at Tab 6
23 your temporary rate testimony in this proceeding?

24 A (Goodhue) At Tab 6, Bates Page 048, and testimony

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 beginning on Bates Page 049 is the joint
2 testimony of myself and Mr. Ware in support of
3 temporary rates.

4 Q Okay. Thank you. And, Mr. Ware, I'd like to
5 turn to you, and ask did you prepare testimony in
6 support of permanent rates?

7 A (Ware) Yes, I did.

8 Q And can I just have you turn to Tab 10?

9 A (Ware) Okay. Tab 10.

10 Q And, for the record, that tab -- I didn't mean to
11 speak over you, sorry. For the record, that is
12 Bates Page 098.

13 And the testimony appearing at Tab 10,
14 this is your testimony, is it correct?

15 A (Ware) That is correct.

16 Q Okay. Now, Mr. Goodhue, just -- I'm sorry to
17 bounce back between the two of you, but I just
18 want to get into the record that, Mr. Goodhue,
19 the permanent rate testimony that we just noted
20 for the record, was that prepared by you or under
21 your direct supervision?

22 A (Goodhue) It was prepared by me directly, yes.

23 Q Okay. And, to the best of your knowledge, is
24 that testimony true and accurate?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Goodhue) Yes, to the best of my knowledge.

2 Q And, today, do you have any material changes or
3 corrections that need to be made to that
4 testimony?

5 A (Goodhue) I do not.

6 Q Okay. And do you adopt any -- I'll combine this
7 for permanent and temporary, do you adopt any of
8 that or either of those testimonies, or, I guess,
9 both of those testimonies? My apologies. Do you
10 adopt both of those testimonies here today as
11 part of your oral testimony?

12 A (Goodhue) I do, yes.

13 Q Okay. And just to go back over your temporary
14 rate testimony, are you aware of any material
15 changes or corrections that need to be made to
16 the temporary rate testimony?

17 A (Goodhue) I know of no changes of a material
18 nature that need to be made.

19 Q Thank you. And, Mr. Ware, can I have you also
20 attest to the accuracy of your permanent and
21 temporary testimonies? Are you aware of any
22 material changes that need to be made to either
23 your permanent testimony or your temporary rate
24 testimony?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) I am not aware of any material changes
2 that need to be made to either my permanent or
3 temporary testimony.

4 Q Okay. And would you also be adopting your
5 permanent and temporary rate testimony as part of
6 your oral testimony today?

7 A (Ware) Yes.

8 Q Okay. Now, Mr. Ware, I'd like to go back to the
9 issue of the revenue requirement. And, in your
10 testimonies, did you cover some of the drivers
11 for the need for rate relief or, rather, an
12 increase in the revenue requirement in your
13 testimony?

14 A (Ware) Yes, I did.

15 Q Could you please summarize some of those drivers
16 of the need for rate relief?

17 A (Ware) Yes. So, since the last rate case, the
18 Company's labor costs have increased each year.
19 We have both the union and nonunion labor force,
20 and they have each had increases each year.

21 Also, we have seen purchased water
22 costs, which is approximately 10 percent of our
23 total overall revenue requirement, increase year
24 over year. With the average cost of water being

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 purchased ranging from \$1.75 to \$2.80 per hundred
2 cubic feet, which is fairly high, when you
3 compare it against the average cost to produce
4 being something less than 60 cents less per cubic
5 feet -- hundred cubic feet, in the event you have
6 on-site wells. The increase since DW 17-128 in
7 purchased water costs is approximately 7/10ths of
8 the 17 plus percent of the increase requested.

9 Also, our treatment costs, so, areas
10 where we have community wells, have gone up,
11 primarily -- or, one of them, arsenic treatment,
12 the standard for arsenic has dropped from 10
13 parts per billion to 5 parts per billion. That's
14 caused an increase in costs; our insurance costs
15 have increased; our regulatory expenses have
16 increased; property taxes have increased,
17 including not only, you know, those taxes on both
18 the assets that are our ratepayers pay for, and
19 also the developers contributed to the Company.
20 Increase in property taxes account for 2.8
21 percent of the requested increase.

22 Additionally, pension and health
23 retirement expenses have gone up in that area.
24 There's been drivers due to federally issued

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 discount rates used to calculate the current
2 funding and expenses, causing those to go up
3 fairly quickly.

4 And, additionally, we have continued to
5 replace the aging infrastructure in the system,
6 as well as adding infrastructure to ensure
7 compliance with the Safe Drinking Water Act.

8 So, we, again, have been very active.
9 PEU is a unique assemblage of systems. There are
10 a total of 45 individual water systems that make
11 up PEU, spread amongst 19 communities, roughly
12 two and a half hours of travel time from one end
13 to the other. And a lot of those were originally
14 systems that were built by developers, many of
15 them prior to the state having stringent
16 regulations that they do today for construction.
17 And we have been actively replacing
18 infrastructure, in particular, pipeline and
19 services, and adding treatment on all of those.
20 So, that has kept us busy.

21 Q Thank you for that overview, Mr. Ware. I'd like
22 to, Mr. Ware, also have you cover some of the
23 schedules. And if I can direct your attention to
24 Tab 13, and this is the filing requirement

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 schedules that begin at Bates Page 175 and 176.

2 If you could let me know when you are there?

3 A (Ware) I am there. Thank you.

4 Q Okay. Starting with Bates Page 176, and at the
5 top it says "Computation of Revenue Deficiency".
6 Can you please state what the function of this
7 schedule is?

8 A (Ware) This schedule uses the ratemaking or
9 revenue model that's required and was approved in
10 DW 17-128. It is how we determine the revenues
11 necessary to operate the utility. That's broken
12 up into various buckets of revenue requirement.
13 One bucket covers what we call is the "City Bond
14 Fixed Revenue Requirement". That is the PEU's
15 share of the annual payment to the City for the
16 price that the City paid to purchase the Company
17 in 2012.

18 And, additionally, there is what is a
19 revenue bucket entitled "Material Operating
20 Expenses", and there's a revenue requirement
21 associated with that. That is the expenses in
22 different operational areas of the Company,
23 things like chemicals, purchased water,
24 maintenance of the distribution system, those

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 sorts of things.

2 The next revenue bucket is what's
3 considered to be "Non-Material Operating
4 Expenses". It's a very small bucket, but it
5 incorporates things like outside legal services,
6 and training and education. Things that are
7 viewed as "discretionary", where the material
8 operating expenses are generally viewed as
9 "nondiscretionary". When we have an electric
10 bill, we have to pay it.

11 So, the next bucket is the principal
12 and interest requirement, what we call the "Debt
13 Service Revenue Requirement". And that is the
14 collection of the principal and the interest on
15 the debt that the Company has issued.

16 And, then, in order to meet the
17 covenants of the entities who are loaning us
18 money, there is an additional bucket called the
19 "0.1 Debt Service Revenue Requirement", which is
20 a 10 percent over-collection of the principal and
21 interest, to ensure adequate cash flow to the
22 entities who are loaning money to us, so that
23 they can be sure that we can meet the
24 requirements or payments of that.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 So, when you total those five buckets
2 up, you come up -- those five buckets of revenue
3 requirements, you come up with the total revenues
4 required to operate the Company.

5 Q Now, Mr. Ware, could you, with that explanation,
6 can you point us to which numbers reflect that
7 there is a revenue deficiency?

8 A (Ware) So, we will start out with the
9 non-proformed test year ending December 31st,
10 2019. So, on Schedule A, which is on Bates Page
11 176, the far left-hand column, or the first
12 column, notes what the revenue requirement was
13 for each of those buckets.

14 So, you see that the revenue
15 requirement for the payment to the City is the
16 same every year, "\$926,309". The Material
17 Operating Expense Revenue bucket does increase
18 typically each year, due to cost of doing
19 business going up. And you can see that, in the
20 test year, the material operating expenses
21 totaled "\$7,537,584". Additionally, the
22 Non-Material Operating Expense Revenue
23 Requirement for the test year was "\$27,863".
24 The Principal and Interest on the debt that was

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 outstanding and being -- payments being made in
2 2019 was "\$1,455,530". That gets increased by
3 10 percent to give the overall requirement for
4 meeting the principal and interest payments of
5 "\$1,601,083". Yielding a total revenue
6 requirement for the test year of "\$10,092,839".

7 Q Thank you. And can you please explain what
8 revenues were coming in? There's a deficiency.

9 A (Ware) Correct. So, the total revenues that came
10 in during 2019 were "\$8,530,604". And that is
11 exclusive of what we call the "North Country
12 Revenue Requirement Surcharge" -- or, the "North
13 Country Recovery Surcharge". That's not in the
14 revenue requirement that we went through above.
15 And, hence, it's taken out of the total revenues
16 that we collected in 2019 of "\$8,819,088".

17 So, again, the revenues brought in to
18 cover the "\$10,062,651" of revenue requirement
19 during the test year were "\$8,530,604".

20 Q Thank you, Mr. Ware. So, the bottom proposed
21 revenue increase, it shows, based on whether
22 there is a adder called the "MOEF", shows that
23 the Company is deficient by somewhere between
24 17.96 and 21.05 percent, is that correct?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) That is correct. That "21.05 percent"
2 that you referenced is after *pro formas* have been
3 made to the material operating expenses for known
4 and measurable changes in those expenses. And
5 that 21.05 percent includes what was referred to
6 as the "Material Operating Expense Factor".

7 Q Thank you, Mr. Ware. And, so, this chart, this
8 Schedule A, Computation of Revenue Deficiency, is
9 where we would direct the Commissioners to see an
10 illustration of the Company's deficiencies, is
11 that right?

12 A (Ware) That is correct.

13 Q Okay. Now, I would also like to have you, Mr.
14 Ware, turn to Exhibit 3, which is the Annual
15 Report. Do you have that in front of you?

16 A (Ware) I do.

17 Q And can you -- are you familiar with this
18 exhibit?

19 A (Ware) Yes, I am.

20 Q And are you aware of any changes or corrections
21 that need to made to this Annual Report?

22 A (Ware) No, I am not.

23 Q Okay. Can you please turn to Bates Page 028?

24 And I'm trying to direct your attention to a

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 "Form F-2", which is entitled "Statement of
2 Income".

3 A (Ware) Yes.

4 Q If you could let me know when you're there?

5 A (Ware) I am there.

6 Q Okay. And baseline question, Mr. Ware. Is the
7 Company's revenue requirement structured as a
8 traditional rate of return utility?

9 A (Ware) No, it is not. The Form F-2 Statement of
10 Income submitted as part of the Annual Report
11 follows GAAP principles. So, it includes
12 depreciation expense, which we do not collect in
13 the DW 17-128 rate methodology. It does not
14 include the City Bond Fixed Revenue Requirement.
15 So, there are items that are comparable, but
16 others that are not.

17 This schedule is used to derive a
18 required return on investment, which is not how
19 our rates are structured.

20 Q So, Mr. Ware, could you just comment on the
21 usefulness of this Statement of Income, in terms
22 of it justifying the Company's revenue
23 deficiency? How should this F-2 Form be viewed?

24 A (Ware) Well, the F-2 Form does not show what our

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 revenue requirement or deficiency is, because it
2 is not structured, as I indicated, to include key
3 components or exclude key components of our
4 operations.

5 As mentioned, it does not include the
6 \$926,309 of expense for payment that is made by
7 PEU towards the City bond. It includes an
8 expense of a depreciation expense, but it does
9 not include principal expense. And it's
10 important to note, dependent upon where the life
11 is on a note, typically, PEU's notes go from 20
12 to 30 years in duration, how much principal
13 you're collecting. But, if the note was a
14 30-year note, the average depreciation life on
15 PEU's assets is about 42 percent [42 years?].
16 So, it -- we do not collect, you know, enough
17 cash in order to -- over time, in the
18 depreciation expense, quickly enough in order to
19 pay for the principal that is due, hence the
20 removal of depreciation expense and the
21 substitute of a principal expense in the
22 revenue-making structure.

23 Q Thank you, Mr. Ware. So, in terms of, you know,
24 temporary rates being based on the books and

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 records on file with the Commission, the Company
2 would direct the Commission's attention to more
3 the rate filing, rather than the Annual Report.
4 Is that accurate?

5 A (Ware) That is correct. Although, all of the
6 expenses, all of the key components of the
7 revenue-making formula are drawn from the Annual
8 Report.

9 Q Okay.

10 A (Ware) By way of point, if you note on Line 1 of
11 F-2, it shows the previous year end balance,
12 which was the test year, 2019, being "8,819,088".
13 And, if you were to go back to Schedule A of the
14 revenues collected during the year, Column --
15 first column on the left, down at the bottom,
16 "Total Current Revenues", and you see the same
17 "8,819,088".

18 So, a lot of data -- or, all the data,
19 but it's configured in a different fashion,
20 because our determination of rates is not the
21 same as an IOU. We have no equity component.
22 We're 100 percent debt-funded. And, hence, we
23 collect the principal and interest per our
24 discussion.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Thank you. And, Mr. Goodhue, if I could turn to
2 you, and I have the same question, just so I can
3 get your testimony on the record.

4 A (Goodhue) Uh-huh.

5 Q If the Commission is to look at, you know, books
6 and records on file, would the Company be
7 directing the Commissioners to Exhibit 1, more so
8 than the Annual Report, to document the
9 deficiency?

10 A (Goodhue) That is correct. And there's a couple
11 of things that are there. As Mr. Ware mentioned,
12 the annual reports are based on a GAAP-based
13 approach of the financial data. It is the --
14 *[Court reporter interruption due to*
15 *indecipherable audio.]*

16 **BY THE WITNESS:**

17 A (Goodhue) I would agree, Attorney Brown, that the
18 Commissioners should look to, let me reference it
19 properly, the schedule at Bates Page 176 of
20 Exhibit 1, which is "Schedule A", the
21 "Computation of Revenue Deficiency". The numbers
22 here are all derived from the same books and
23 records that are included in the Annual Report.
24 However, the income statement in the Annual

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Report is geared towards a traditional rate model
2 for utilities in the state.

3 Whereas, the approved rate methodology
4 for PEU, coming out of DW 17-128, is a unique
5 revenue model that is cash flow-driven, relative
6 to the construct of the Company.

7 And just as a point of clarification
8 for Mr. Patnaude in his minutes, when Mr. Ware
9 was referring to the average length of debt being
10 "25 to 30 years", the clarification being "42
11 years", not "42 percent". That is important.

12 In a traditional rate-setting model,
13 depreciation is the engine that would pay for
14 principal on debt. And we elucidated this quite
15 concisely in the last rate case filing for PEU,
16 in that, in our ownership structure being a debt
17 only ownership structure, we must have sufficient
18 cash to pay for the principal. If depreciation
19 cannot provide enough cash, that's how we got to
20 this rate model.

21 The other thing that I would point to
22 is, for the Commissioners' benefit, is on
23 Schedule A, on Bates 176 of Exhibit 1. Focusing
24 on Column 1 and Column 3 of that schedule is what

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 we're really talking about in a temporary rate
2 setting. That is showing the revenue deficiency,
3 either before or after *pro forma* adjustments,
4 based on the current approved permanent rate
5 structure for PEU.

6 Columns 4 and 5 of this schedule are
7 what is being requested as additional
8 modifications to that rate structure in our
9 permanent rates.

10 So, when we're talking about temporary
11 rates right now, we're talking about underearning
12 currently under our current rate structure, which
13 is elucidated between Columns 1 and 3 of Schedule
14 A, at Bates 176 of Exhibit 1.

15 BY MS. BROWN:

16 Q Thank you, Mr. Goodhue. Mr. Ware, if I could
17 pick up with you again. If you have -- I'd like
18 to turn to Exhibit 2. And that, for the record,
19 is the Settlement Agreement. If you could tell
20 me if you have that in front of you, and, in
21 particular, Bates Page 004?

22 A (Ware) I do have it in front of me.

23 Q Okay. And, Mr. Ware, did you participate in the
24 preparation of this Settlement Agreement?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) Yes, I did.

2 Q Mr. Goodhue, if I could just bounce back to you
3 and ask you, did you participate in the creation
4 of this Settlement Agreement?

5 A (Goodhue) Yes, I did.

6 Q And, Mr. Goodhue, are you familiar with the terms
7 of the Settlement Agreement?

8 A (Goodhue) Yes, I am.

9 Q Mr. Ware, are you also familiar with the terms of
10 the Settlement Agreement?

11 A (Ware) Yes, I am.

12 Q And, Mr. Ware, are you aware of any changes or
13 corrections that need to be made to this
14 exhibit?

15 A (Ware) No. I am not aware of any changes or
16 corrections that need to be made to the exhibit.

17 Q And, Mr. Goodhue, are you aware of any
18 corrections or changes that need to be made to
19 Exhibit 2?

20 A (Goodhue) Likewise, I am unaware of any changes
21 or corrections that need to be made to that
22 document.

23 Q Okay. Mr. Ware, I will be asking you a series of
24 questions now about the terms, if you're at Page

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 4?

2 A (Ware) Yes.

3 Q And can you please summarize what temporary rate
4 increase level these Settling Parties are
5 proposing?

6 A (Ware) The Settling Parties are proposing a
7 temporary rate increase of 14.03 percent.

8 Q Now, Attachment A, does that describe the
9 details, the derivation of that percent increase?

10 A (Ware) Yes, it does.

11 Q And who prepared the Attachment A schedules?

12 A (Ware) The Staff of the New Hampshire Public
13 Utilities Commission prepared Schedule A, the
14 Attachment A schedules.

15 Q Okay. Mr. Ware, within this Paragraph A, under
16 Section IV of the Settlement Agreement, there's a
17 discussion about the "QCPAC". Do you see that?

18 A (Ware) Yes, I do.

19 Q And what is the "QCPAC"?

20 A (Ware) The "QCPAC" is the Company's "Qualified
21 Capital Project Adjustment Charge". It is an
22 annual charge, used and approved by the
23 Company -- or, excuse me, used by the Company,
24 and approved by the Public Utilities Commission,

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 to recover the principal and interest and
2 property taxes associated with property, plant,
3 and equipment that was installed each year.

4 So, every year there is a filing of a
5 QCPAC. There's a petition, where we seek a
6 number of things. One, we seek the principal,
7 interest, and the 10 percent markup on that, plus
8 the property tax expense associated with
9 property, plant, and equipment that was used and
10 useful in the prior year. That filing is done in
11 February. And we also lay out proposed capital
12 expenditures for the following three years.

13 So, the 2.98 percent is actually
14 reflective, and is in effect right now on the
15 rates that were granted in DW 17-128, and it's
16 reflective of the capital expenditures made by
17 the Company in 2018.

18 Q And, Mr. Ware, could you please summarize the
19 terms in this Settlement Agreement on how the
20 QCPAC is going to be suspended while temporary
21 rates are in effect?

22 A (Ware) So, as I mentioned, the 2.98 percent is a
23 surcharge that is on top of the Company's
24 tariffed rates from the DW 17-128 rate case.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 What will happen is, that surcharge will be
2 eliminated when the temporary rates go into
3 effect.

4 Q Thank you. And, so, is that how the net effect
5 is the "11.05", with the removal of the existing
6 QCPAC?

7 A (Ware) That is correct.

8 Q And is the Company also willing to forego
9 collection of the yet-to-be-approved QCPAC of
10 1.22 percent?

11 A (Ware) Yes. That 1.22 percent was filed for in
12 February of 2020, and that is reflective of the
13 principal and interest expense, plus 10 percent,
14 and the property taxes associated with plant and
15 equipment that was used and useful at the end of
16 2019. And that surcharge and decision on it is
17 in its pendency. And, at this stage, the Company
18 would not -- would not include that. The
19 temporary rates would be fully everything. So,
20 there will be no 1.22 percent added to the
21 temporary rates for the 2019 CapEx.

22 Q Okay. Thank you. And, Mr. Goodhue, before I
23 move off of the QCPAC issue, I just want to turn
24 back to you and give you an opportunity, if you

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 had anything else to add to Mr. Ware's testimony
2 on the QCPAC just now. I'd give you an
3 opportunity if you have anything to say?

4 A (Goodhue) I mean, just as a point of
5 clarification for all of the parties, it's to be
6 understood that the QCPAC surcharge is annually,
7 or a surcharge between permanent rate cases.
8 Okay? So, that surcharge is always something
9 that is collected each year, but then reconciled
10 in the permanent rates that are basically
11 approved in the next filed rate case.

12 So, our -- you know, we are electing to
13 not bring those forward in this temporary rate
14 setting, as we await permanent rates to be
15 approved in this case. And there will be a full
16 reconciliation, once permanent rates are
17 approved, to what those permanent rates are, the
18 timing for which they could be collected back to,
19 and what the net impact is relative to temporary
20 rates and QCPAC surcharges that would have been
21 earned between any cases. And I think that is
22 important for all the parties to understand.

23 Q Excellent clarification. Thank you very much.
24 Mr. Ware, can I ask you to also explain, I guess,

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 the second full paragraph of Paragraph A, under
2 Section IV, "Terms of Agreement", discusses the
3 "North Country Capital Recovery Surcharge". Do
4 you see that?

5 A (Ware) Yes, I do.

6 Q And can you please summarize what's going on
7 here? Why the North Country Capital Recovery
8 Surcharge is changing?

9 A (Ware) Yes, I can. So, the surcharge is a
10 recovery above the rates in effect at the time.
11 There was a significant amount of capital
12 invested in each one of the three North Country
13 systems. That has a total annual debt service of
14 \$170,315. And that gets collected ratably from
15 the customers in each one of the systems.

16 The structure of the North Country
17 Capital Recovery Surcharge is such that the
18 amount that we need over the thirty years that
19 this CapEx was being financed doesn't change, but
20 the number of customers is slowly going up. So,
21 since the previous filing in DW 17-128, the
22 number of customers in each one of those systems
23 has gone up slightly. And, as a result, the
24 amounts in the current North Country Capital

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Recovery Surcharge, and you can see them there on
2 that page, will be ratably reduced based on the
3 increase in customers in each one of those
4 systems.

5 Q Great. Thank you very much for that explanation.
6 And, Mr. Ware, moving on to Paragraph B, the
7 effective date for temporary rates is agreed to
8 be December 24th, 2020 on a service-rendered
9 basis. Is that correct?

10 A (Ware) Yes, it is.

11 Q And this effective date, was this the original
12 date that the Company expected to implement its
13 permanent rates?

14 A (Ware) Yes.

15 Q And, Mr. Ware, did you participate in notifying
16 the public of the rate increases?

17 A (Ware) Yes, I did.

18 Q And, Mr. Ware, could you please describe the
19 steps that Pennichuck East Utility took to notify
20 the Commission and the Company's customers of the
21 proposed rate increase?

22 A (Ware) Yes. So, following the requirements of
23 the Public Utilities Commission, on September
24 23rd of 2020, the Company filed a Notice of

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Intent with the PUC per Puc 1604.05 rules and RSA
2 378. On November 23rd, 2020, the Company filed
3 its tariffs and provided the required thirty days
4 notice before the effective date of December
5 24th, 2020.

6 That notification was effected in a
7 number of different ways. On November 25th, the
8 Company posted its rate filing tariffs and
9 request for temporary rates on its website. It
10 also posted Answers to Frequently or Commonly
11 Asked Questions. On December 10th and 11th, the
12 Company mailed each customer the actual notice of
13 its rate filing and proposed rates. And, on
14 December 18th, 2020, pursuant to Commission Order
15 Number 26,436, published the Commission's order
16 on its website. And also, on December 18th,
17 2020, the Company filed proof of its web posting
18 with the Commission.

19 Q Okay. Thank you, Mr. Ware. And, so, the
20 Company's rate filing -- the tariffs and rate
21 increase for December 24th did not go into
22 effect, because the Commission suspended them, is
23 that correct?

24 A (Ware) That is correct.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Mr. Ware, you mentioned the notice to customers.
2 Can I have you turn to Exhibit 1, Tab 8, which
3 is, for the record, Bates Page 061?

4 A (Ware) Yes. I am there.

5 Q And is this the actual notice that was used in
6 part of the notification?

7 A (Ware) Yes, it was.

8 Q And, Mr. Ware, was this provided by mail and
9 electronically to customers?

10 A (Ware) Yes. There was a direct mailing to each
11 of our Pennichuck East Utility customers, as well
12 as a posting of these notices on our website.

13 Q Okay. Now, if I could also continue with you,
14 Mr. Ware, about rate design, and have you turn to
15 Tab 7 of Exhibit 1.

16 A (Ware) Yes. I'm there.

17 Q For the record, this is Bates Page 057, and 058
18 is the actual document. You're looking at the
19 Report of Proposed Rate Changes, are you?

20 A (Ware) Yes.

21 Q Okay.

22 A (Ware) Regarding temporary rates.

23 Q Okay. Well, let --

24 COMMISSIONER BAILEY: Excuse me,

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Ms. Brown. Can you give me that page number
2 again please?

3 MS. BROWN: Bates Page 057 is the tab,
4 then 058 has the Report of Proposed Rate Changes.
5 And also the next page after that, depending on
6 whether it's temporary or permanent rates.

7 COMMISSIONER BAILEY: Thank you.

8 BY MS. BROWN:

9 Q Mr. Ware, on Bates Page 058, can you just please
10 summarize for the record the number of customer
11 classes Pennichuck East has?

12 A (Ware) Yes. So, Pennichuck East consists of a
13 number of different rate classes. We have our
14 General-Metered class. We have Private Fire
15 Protection. And then we have what would
16 typically be called "Municipal Fire Protection"
17 or "Hydrants", and that's a charge to communities
18 that pay the charge through the town or
19 community. And then we have individual hydrant
20 charges in certain communities where the
21 community has not elected to pay for the fire
22 protection directly, but these are additional
23 revenues that are added on to a typical customer
24 who benefits from fire protection in their area.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 So, there are a number of communities where the
2 ratepayer, who benefits from the fire protection,
3 is paying directly in their rates for what are
4 considered "public hydrants". So, that's in the
5 communities of Windham, Raymond, Lee, Exeter,
6 Birch Hill, and Bow. And then, lastly, there is
7 what we discussed, the North Country Capital
8 Recovery Surcharge as well. And that makes up
9 the rate classes of service for Pennichuck East
10 Utility.

11 Q Thank you, Mr. Ware, for that overview. Now,
12 Pennichuck East conducted a cost of service study
13 for this rate filing, is that correct?

14 A (Ware) That is correct.

15 Q And, for temporary rate -- purposes of temporary
16 rates, are any of the recommendations from that
17 cost of service study being implemented?

18 A (Ware) No, they are not. We are proposing that
19 the temporary rates be applied uniformly across
20 all of the rate or service classes, with the
21 exception of the North Country Capital Recovery
22 Surcharge.

23 So, what we requested was a 15 percent
24 across all -- increase across all customer rate

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 classes, and a slight reduction in the North
2 Country Capital Recovery Surcharge. The
3 Settlement Agreement was at the 14.03 percent,
4 and that would be, again, applied uniformly to
5 all the rate classes, with the exception of the
6 North Country Capital Recovery Surcharge.

7 Q Okay. Mr. Ware, with respect to the Settlement
8 14.03 overall -- or, percent increase, can you
9 please explain when customers would see that rate
10 change in their bills?

11 A (Ware) So, the Company would implement those
12 rates as soon as the Commission issues an order
13 approving temporary rates.

14 Q And, Mr. Ware, is it your understanding that
15 temporary rates are reconciled with permanent
16 rates at the conclusion of the rate proceeding?

17 A (Ware) Yes, it is.

18 Q And, Mr. Ware, can you just generally describe
19 what that reconciliation entails?

20 A (Ware) Yes. So, the reconciliation is on a
21 service-rendered basis back in this case to
22 December 24th, 2020. So, if this case were
23 settled and an order was issued and tariffs
24 approved on December 24th, 2021, there would have

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 been a one-year timeframe in which we collected
2 temporary rates at the 14.03 percent, if that is
3 what the Commissioners approve.

4 To make it easy, if the rates that were
5 granted were 19.03 percent, we would have been
6 under collecting from the time we started
7 collecting temporary rates by 4 percent. So, if
8 temporary rates were approved by, and, again,
9 just illustrative, there's no pressure here, by
10 May 24th, keeping the dates simple, we would
11 collect the -- we would have -- starting on May
12 24th, we would be collecting the additional 14.03
13 percent. So, on December 24th, we would have
14 under collected from May 24th to December 24th by
15 five percent. From December 24th to May 24, the
16 rates were suspended, but we've been charging the
17 rates granted in DW 17-128, we would be
18 collecting the full 19.03 percent.

19 So, the reconciliation, the collection
20 of what should have been collected falls into two
21 steps: The full difference between the permanent
22 rates that are granted and the current rates that
23 are at December 24th, that the temporary rates,
24 if they are approved, are approved, and then the

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 difference between permanent rates and temporary
2 rates, during the period from when the temporary
3 rates were approved and we begin billing those
4 until the new permanent rates take effect.

5 Q And thank you, Mr. Ware. So, with this
6 reconciliation, the fact that the Company is not
7 yet implementing the cost of service study
8 changes, is it difficult to incorporate those
9 when you do the reconciliation at the conclusion
10 of the case?

11 A (Ware) Well, fortunately, today, we have
12 computers. And, so, what would happen is, each
13 bill is looked at uniquely. So, we will look at
14 the period, and the amount of consumption,
15 starting on from December 24th, 2020, to whenever
16 the permanent increase goes into effect and goes
17 into the bills, we will look at the consumption
18 during that time period and we will look at what
19 they actually paid. And then, we will run a
20 reconciliation, where we would run through what
21 that customer would have paid had they paid at
22 the new rate from December 24th all the way on.
23 And the difference between the cash collected
24 during that timeframe, and what they should have

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 paid, reconciliation methodology is the amount
2 that we end up collecting in the form of
3 recoupment over a period of time, subject to
4 Staff review and approval.

5 Q Thank you for that explanation. And, Mr.
6 Goodhue, if I could just go back to you now,
7 because I just covered a whole bunch of issues
8 with Mr. Ware, with the QCPAC, the North Country
9 Surcharge, the cost of service, description and
10 recoupment. Do you have anything to add to his
11 testimony?

12 A (Goodhue) I have nothing to add to Mr. Ware's
13 testimony in this area. Just, again, for a point
14 of reference for a number of parties who may have
15 not have been involved in a case like this, or in
16 one of the cases for PEU over the past several
17 years, the North Country Capital Recovery
18 Surcharge is a legacy item that comes forward all
19 the way from back in 2010. There was a rate case
20 filed for both our Pittsfield Aqueduct Company
21 and our Pennichuck East Utility back in 2009.
22 And, out of those cases, three of our community
23 water systems, being Birch Hill, in North Conway;
24 Sunrise Estates, in Middleton; and Locke Lake, in

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Barnstead, were, by Commission order, transferred
2 from being community water systems of the
3 Pittsfield Aqueduct Company to the Pennichuck
4 East Utility as of December 31st, 2010.

5 All three of those systems had had
6 material capital improvements made and debt
7 associated with those capital improvements prior
8 to that timeframe. And it was considered that
9 the cost of servicing that pre-existing debt by
10 other PEU customers was not the direction that
11 should be taken. So, a fixed sum of debt service
12 on those pre-existing debts is the dollars that
13 comprise the North Company Capital -- North
14 Country Capital Recovery Surcharge, say that
15 three times fast. And, so, that's a fixed dollar
16 amount that is not borne by other PEU customers,
17 but is done, as Mr. Ware elucidated, the actual
18 costs borne by each of the customers in those
19 systems would go down or up over time, based on
20 the number of customers sharing in the cost of
21 the coverage of that fixed dollar amount for that
22 debt service coming back from that legacy item.

23 So, that's just a point of
24 illustration, I guess, or clarification, for the

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 parties here to understand why this is a
2 carve-out and an add-back in a rate filing for
3 PEU, not only now, but in every rate case that we
4 have, until those debt obligations expire
5 sometime in the future.

6 Q Thank you for that history. I appreciate that
7 for the record.

8 Mr. Ware -- Mr. Goodhue, if I could
9 just continue with you please. And I wanted to
10 have you explain, if you have an opinion on the
11 just and reasonableness of temporary rates that
12 are being proposed today, what is that opinion
13 and what is -- if you could explain why you hold
14 that opinion? Thank you.

15 A (Goodhue) My opinion is that they are just and
16 reasonable, and consistent with the public
17 interest. Pennichuck East Utility, in service to
18 our customers in the nineteen communities we
19 serve, has a cost of operations. As we've
20 described, and was approved in the last found
21 rate case of DW 17-128, our rate structure is
22 really a cash flow-driven rate structure. We had
23 a rate structure that was approved and rates that
24 were approved coming out of that case. And, as

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 was described in that Schedule 1, or "Schedule A"
2 I guess you might call it, that we talked about
3 earlier on in this testimony, what is shown is
4 there is a revenue deficiency based on that
5 approved structure and those approved rates,
6 based on the actual cost of operating the
7 utility.

8 So, you know, my basis for whether
9 these rates are just and reasonable, and our
10 request is just and reasonable, is that the
11 temporary rate relief we are seeking now, as a
12 step towards permanent rate adjustment for the
13 costs of operating the utility on behalf of
14 customers, is a just and reasonable circumstance.

15 Q Thank you, Mr. Goodhue. And, Mr. Ware, I have
16 the same question to you. If you could please
17 explain, if you have an opinion concerning the
18 just and reasonableness of the proposed temporary
19 rates, and why you hold that opinion?

20 A (Ware) I also believe that the proposed temporary
21 rates are just and reasonable, and for --
22 basically, for the same reasons that Larry
23 indicated. We have actual test year expenses,
24 actual revenues, and they reflect the fact that

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 the Company, from a cash position, greatly under
2 collected the cash necessary to carry on its
3 operations during the test year. And, as such,
4 we need to have an increase in rates, so that
5 what we're bringing in, in terms of cash, allows
6 us to operate the utility on an ongoing basis.

7 MS. BROWN: Thank you, Mr. Ware. And,
8 at this point, I don't have any further questions
9 for Mr. Goodhue or Mr. Ware. And my
10 understanding is that Staff is going to put Mr.
11 Laflamme on as the third panelist today.

12 CHAIRWOMAN MARTIN: Okay. Thank you.
13 Go ahead, Ms. Fabrizio.

14 MS. FABRIZIO: Thank you, Madam Chair.
15 If Mr. Patnaude could you swear in Mr. Laflamme,
16 Staff would like to call him as a witness please.

17 MR. PATNAUDE: I believe Jayson was
18 sworn in at the same time as the other two.

19 MS. FABRIZIO: Oh. My apologies. I
20 missed that. Okay.

21 **JAYSON P. LAFLAMME, SWORN**

22 **DIRECT EXAMINATION**

23 BY MS. FABRIZIO:

24 Q Well, good afternoon, Mr. Laflamme. Could you

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 please state your full name for the record?

2 A (Laflamme) My name is Jayson Laflamme.

3 Q And by whom are you employed?

4 A (Laflamme) I am employed by the New Hampshire
5 Public Utilities Commission.

6 Q And what is your current position at the
7 Commission?

8 A (Laflamme) I am the Assistant Director of the Gas
9 & Water Division.

10 Q And could you please summarize your work
11 experience at the Commission?

12 A (Laflamme) Yes. I joined the Commission in 1997
13 as a Utility Examiner in the Commission's Audit
14 Division. In 2001, I joined the Commission's Gas
15 & Water Division as a Utility Analyst. And I was
16 eventually promoted to Senior Utility Analyst
17 within the Gas & Water Division. And, in 2018, I
18 became the Assistant Director of the Gas & Water
19 Division.

20 Q Thank you. And what are your responsibilities as
21 Assistant Director of the Division?

22 A (Laflamme) I directly supervise the Water Staff
23 of the Commission, and primarily oversee the
24 course of examination for various water and

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 wastewater dockets that are filed with the
2 Commission. I, though, directly examine select
3 dockets that come before the Commission, such as
4 the docket that's being heard today.

5 Q Thank you. And have you previously testified
6 before the Commission?

7 A (Laflamme) Yes, I have.

8 Q Thank you. So, Mr. Laflamme, could you please
9 describe your involvement in this particular
10 docket?

11 A (Laflamme) Yes. I examined the Company's rate
12 filing, in conjunction with the books and records
13 previously on file with the Commission regarding
14 PEU. I participated in the discovery process,
15 formulating data requests, reviewing data
16 responses. I participated in tech sessions, and
17 a settlement conference leading up to the
18 Settlement Agreement that is being presented
19 today.

20 I have also materially participated in
21 previous dockets and other rate cases relative to
22 PEU's ratemaking methodology, specifically DW
23 11-026, DW 13-126, and DW 17-128.

24 Q Thank you.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 CHAIRWOMAN MARTIN: Just a minute.

2 Ms. Fabrizio, when Mr. Laflamme is testifying,

3 can you just mute yourself?

4 MS. FABRIZIO: Oh, my apologies.

5 CHAIRWOMAN MARTIN: We're getting a lot
6 of feedback.

7 MS. FABRIZIO: Oh. Sorry about that.

8 BY MS. FABRIZIO:

9 Q Mr. Laflamme, do you believe PEU is underearning,
10 as you've heard earlier today, and therefore
11 requires temporary rates, in accordance with RSA
12 378:27?

13 A (Laflamme) Yes. Based on my analysis of PEU's
14 rate filing, and subsequent discovery, as well as
15 the books and records previously on file with the
16 Commission, I believe that PEU is significantly
17 underearning and should be granted temporary
18 rates.

19 Q Thank you. Now, I'd like you to look at the
20 Temporary Rate Settlement Agreement filed in the
21 docket, previously referred to and discussed
22 earlier by Attorney Brown and the Company
23 witnesses, and marked for identification as
24 "Exhibit Number 2". Do you have that document in

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 front of you, Mr. Laflamme?

2 A (Laflamme) Yes I do.

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

5 A (Laflamme) Yes, I did.

6 Q And are you familiar with the terms of the
7 Agreement?

8 A (Laflamme) Yes.

9 Q And would you make any changes or corrections to
10 Exhibit 2 as filed?

11 A (Laflamme) No.

12 Q Okay. And, turning to Section IV, Terms of
13 Agreement, (A), on Bates Page 004 of Exhibit 2,
14 this section states that "The Parties agree that
15 temporary rates be set at 14.03 percent over
16 existing base rates." Is that correct?

17 A (Laflamme) Yes, it is.

18 Q And the section further states that "The
19 derivation of this proposed [temporary] rate
20 increase is detailed in Attachment A to this
21 Agreement." Is that correct?

22 A (Laflamme) Yes.

23 Q And did you prepare Attachment A?

24 A (Laflamme) Yes, I did.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Thank you. And can you please briefly walk us
2 through key highlights from Staff's perspective
3 of the schedules contained in Attachment A, which
4 begin on Bates Page 009 of Exhibit 2?

5 A (Laflamme) Certainly. I would specifically
6 direct your attention to the Summary schedule
7 that's contained on Bates Page 009, which
8 provides a comparison of the calculation of
9 temporary rates as proposed by the Company, based
10 on its Petition for Temporary Rates. That's
11 found in the left-hand column of numbers. And
12 the calculation of temporary rates proposed in
13 the Settlement Agreement, which is the right-hand
14 column of numbers.

15 Lines 1 through 10 of the Summary
16 schedule highlight the three components of PEU's
17 revenue requirement approved by the Commission in
18 the Company's prior rate proceeding, DW 17-128.
19 These components consist of the "City Bond Fixed
20 Revenue Requirement", found on Line (1); the
21 "Operating Expense Revenue Requirement", which is
22 calculated on Line (6); and the "Debt Service
23 Revenue Requirement" calculated on Line (9).
24 Line (10) contains the total of these three

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 components.

2 Specifically, the Settlement Agreement
3 is proposing a revenue requirement from base
4 rates and other operating revenues of
5 "\$9,921,085". This is comprised of the City Bond
6 Fixed Revenue Requirement, Line (1), of
7 "\$926,309", the calculation of which is further
8 detailed on Schedule 1 of Attachment A, which is
9 on Bates Page 010. Then, there is the Operating
10 Expense Revenue Requirement of "\$7,393,694", on
11 Line (6), which is further detailed on Schedules
12 2, 2a, 2b, and 2c, which are on Bates Pages 011
13 through 014. And then, finally, a Debt Service
14 Revenue Requirement of "\$1,601,082", which is
15 further detailed on Schedule 3, or Bates Page
16 015.

17 Q Thank you. Now, Line (10) of the Summary
18 schedule states that this is a "Revenue
19 Requirement exclusive of the North Country
20 Capital Recovery Surcharge", as we've heard
21 today.

22 Do you have anything to add to the
23 Company's presentation on the Settlement at this
24 point?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Laflamme) I think Mr. Goodhue and Mr. Ware
2 explained the -- explained the origin and the
3 purpose of the North Country Capital Recovery
4 Surcharge. I think I would only add that that
5 surcharge, the North Country Capital Recovery
6 Surcharge, has no impact on the determination of
7 the proposed 14.03 percent increase in revenues
8 proposed in the Settlement Agreement.

9 Q Thank you. And, while the Summary schedule shows
10 that the City Bond Fixed Revenue Requirement
11 proposed in the Settlement is the same as that
12 proposed by the Company, and the Debt Service
13 Revenue Requirement is the same as that proposed
14 by the Company as well, the Operating Expense
15 Revenue Requirement component proposed in the
16 Agreement at Line (6) is 171,752 less than what
17 was originally proposed by the Company. Can you
18 please explain the difference?

19 A (Laflamme) Yes. And, really, I would call
20 attention to Bates Page 012 of the Settlement
21 Agreement, and specifically focusing on *Pro Forma*
22 Adjustments 3, 4, 5, and 6.

23 First of all, there are adjustments to
24 increase production expenses by \$45,341, to

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 reflect the five-year average of the Company's
2 production data relative to purchased water
3 expense and purchased power expense in the *pro*
4 *forma* test year. This is based on the ratemaking
5 mechanism that was approved for PEU in DW 17-128,
6 whereby certain of the Company's variable
7 expenses, specifically purchased water,
8 chemicals, and purchased power, that are impacted
9 by production, are reflected in PEU's revenue
10 requirement using a five-year trailing average
11 for production. This is done to minimize the
12 impact of the annual swings which may occur, with
13 regards to a particular test year, depending upon
14 whether it is especially wet or dry. The
15 specific adjustments, as I indicated, are found
16 on Schedule 2a, Bates Page 012, of Attachment A,
17 Adjustments 3 and 4.

18 The next adjustment reduces PEU's
19 amortization expense by \$213,318, relative to the
20 elimination of its annual amortization expense
21 related to the acquisition adjustment that was
22 reported when it was acquired by the City of
23 Nashua in 2012. Again, this elimination is per
24 the ratemaking mechanism approved by the

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Commission in DW 17-128. And this adjustment
2 appears on Schedule 2a as Adjustment Number 5.

3 And then, finally, the last adjustment
4 is relative to the elimination of the Company's
5 share of the New Hampshire Business Enterprise
6 Tax of \$3,775 recorded during the test year. The
7 Company's current ratemaking mechanism approved
8 in DW 17-128 does not include this expense in its
9 revenue requirement.

10 However, the Company has requested the
11 inclusion of such in the permanent rate phase of
12 the current rate proceeding. That adjustment,
13 again, is on Schedule 2a, and is Adjustment
14 Number 6.

15 The net of all of these adjustments
16 results in a \$171,752 reduction in the Company's
17 Operating Expense Revenue Requirement component.

18 Q Thank you. That's helpful. Can you please walk
19 us through the calculations found on Lines (11)
20 through (17) of the Summary schedule?

21 A (Laflamme) Sure. The calculated revenue
22 requirement of "\$9,921,085" is reduced by the
23 Company's test year other operating revenues of
24 "\$30,188" to derive water revenues from base

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 rates. And that difference is "\$9,890,897".
2 Comparing that amount to the Company's *pro forma*
3 test year revenues derived from base rates of
4 "\$8,674,184", the result shows a required
5 increase in PEU's annual revenues derived from
6 base rates of "\$1,216,713", or "14.03 percent".

7 As indicated earlier by Mr. Ware and
8 Mr. Goodhue, during the test year the Company was
9 authorized to charge a Qualified Capital Project
10 Adjustment Charge of 2.98 percent. That was
11 approved in DW 19-035. The *pro forma* annual
12 revenues derived from that QCPAC are "\$258,491".
13 And those *pro forma* QCPAC revenues will be, in
14 effect, subsumed into the proposed temporary
15 rates derived from base rates. And, as such, PEU
16 will recognize a "\$958,222" annual increase in
17 revenues, or "11.05 percent".

18 Q Thank you. And what will happen to the QCPAC if
19 the proposed temporary rates are approved?

20 A (Laflamme) Per the Settlement Agreement, PEU will
21 cease the application of its current 2.98 percent
22 QCPAC on customer billings. Additionally, PEU
23 will forego collection of its proposed 1.22
24 percent QCPAC for 2020 that is currently pending

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 before the Commission in DW 20-019. And, as
2 such, PEU's QCPAC will be reset to zero percent.

3 Q Thank you. And on Bates Page 005 of the
4 Settlement Agreement discusses a proposed
5 decrease in the North Country Capital Recovery
6 Surcharge, as we've heard today. Do you have
7 anything to add to the Company's explanation of
8 that surcharge at this time?

9 A (Laflamme) No, I do not. Other than the fact
10 that, because of the -- because of the respective
11 decreases in the North Country Capital Recovery
12 Surcharge, that will decrease the Company's
13 annual revenues from the NCCRS, from \$181,603 to
14 \$178,915.

15 Q Thank you. And, as a result of the temporary
16 rates proposed by this Settlement Agreement, what
17 will PEU's overall revenues be?

18 A (Laflamme) That is calculated on Lines (18)
19 through (21) of the Summary schedule on Bates
20 Page 009. Specifically, the proposed revenues
21 from base rates will be "\$9,890,897". The
22 Company's other operating revenues will be
23 "\$30,188". And, as I just indicated, the
24 proposed North Country Capital Recovery Surcharge

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 revenues will now be "\$178,915". Summed
2 together, the Company's annual revenues would be
3 "\$10,100,000".

4 Q Okay. Thank you. And how will the proposed
5 14.03 percent increase in revenues be applied to
6 the Company's respective customer classes?

7 A (Laflamme) As indicated by Mr. Ware, the proposed
8 14.03 percent temporary increase in revenues will
9 be applied equally across all customer charges.
10 And this is indicated on Schedule 4, or Bates
11 Page 016 of Attachment A.

12 Q And do you have anything further to add regarding
13 the impact of the proposed temporary rates on the
14 Company's average residential customers?

15 A (Laflamme) Yes. Staff calculated the impact of
16 the proposed temporary rates, on its average
17 residential customers. And I have -- there are
18 four sets of these impacts that Staff calculated.
19 And I would also add that this encompasses the
20 impact of the QCPAC that customers are currently
21 paying. But it does not incorporate the impact
22 of the fire protection charges that some
23 customers are responsible for.

24 So, beginning with PEU's non-North

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Country average residential customers, using 6.5
2 hundred cubic feet, or ccf, per month, and
3 currently paying \$71.59 per month, the impact of
4 the proposed temporary rates will result in an
5 increase of \$7.65 per month, to an amount of
6 \$79.24.

7 For PEU's Locke Lake average
8 residential customers, using 3.45 ccf per month,
9 and currently paying \$60.81 per month, the impact
10 of the proposed temporary rates for those
11 customers will result in an increase of \$4.90 is
12 per month, to \$65.71.

13 For PEU's Sunrise Estates average
14 residential customers, using 3.45 ccf per month,
15 and currently paying \$58.74 per month, the impact
16 of the proposed temporary rates will result in an
17 increase of \$4.75 per month, to an amount of
18 \$63.49.

19 And then, finally, for PUC's Birch Hill
20 average residential customers, using 3.45 ccf per
21 month, and currently paying \$60.81 per month, the
22 impact of the proposed temporary rates will
23 result in an increase of \$5.01 per month, to an
24 amount of \$65.82.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Thank you. And what is the proposed effective
2 date for temporary rates?

3 A (Laflamme) As indicated previously, the proposed
4 effective date is December 24th, 2020, on a
5 service-rendered basis.

6 Q Thank you. And, Section IV.C of the Settlement,
7 at Bates Page 005, indicates agreement by the
8 Parties that "temporary rates should be subject
9 to reconciliation, pursuant to RSA 378:29, after
10 the final determination of permanent rates by the
11 Commission." Is that correct?

12 A (Laflamme) Yes.

13 Q And how do you envision that occurring?

14 A (Laflamme) As is customary in previous water rate
15 cases, subsequent to the Commission's order on
16 permanent rates in this proceeding, the Company
17 will be filing a reconciliation of the revenues
18 actually collected under temporary rates,
19 compared to what it would have collected in
20 revenues had permanent rates been in effect from
21 the approved effective date to the date of the
22 Commission's order approving permanent rates.

23 This reconciliation should be
24 accompanied by the Company's proposal for

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 recovering or refunding the calculated revenue
2 difference. Staff and the other parties will
3 examine the Company's proposals, and will also
4 have an opportunity to make recommendations to
5 the Commission. Based on the Company's filing,
6 as well as the subsequent recommendations filed
7 by Staff and the other parties, the Commission
8 will issue an order regarding either the recovery
9 or refunding of the calculated difference between
10 temporary and permanent rates.

11 Q Thank you. And do you believe that the temporary
12 rates proposed in the Settlement Agreement are
13 just and reasonable?

14 A (Laflamme) Yes.

15 Q And could you please explain?

16 A (Laflamme) Staff believes that the Company has
17 demonstrated a need for rate relief, based on the
18 application of the ratemaking methodology
19 approved by the Commission in DW 17-128. Staff
20 believes that the proposed Settlement Agreement
21 will provide necessary revenues to the Company to
22 meet its cash flow needs. And Staff also
23 believes that the temporary rates being proposed
24 will somewhat mitigate rate shock to PEU's

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 customers, relative to the possible institution
2 of permanent rates at the conclusion of this
3 proceeding.

4 Staff believes that the resulting rates
5 are just and reasonable for both the Company and
6 its customers.

7 Q Thank you. Do you have any additional thoughts
8 on the Agreement itself, based on what you heard
9 earlier today?

10 A (Laflamme) No, I do not.

11 Q And, to sum up, do you recommend that the
12 Commission approve the Settlement Agreement for
13 Temporary Rates and find that approval will set
14 just and reasonable rates for its customers --
15 the "Company's customers", I should say?

16 A (Laflamme) Yes.

17 Q And does that conclude your testimony today?

18 A (Laflamme) Yes, it does.

19 MS. FABRIZIO: Thank you. Mr. Laflamme
20 is available for questions.

21 CHAIRWOMAN MARTIN: Thank you very
22 much.

23 Okay. For cross, Mr. Kreis, do you
24 have cross today?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 MR. KREIS: Madam Chairperson, I do not
2 have any questions for these witnesses. And, of
3 course, I am a signatory to the Settlement
4 Agreement. And, so, I am supportive of what the
5 witnesses have been testifying about, which I'd
6 be happy to explain at the end of the hearing.

7 CHAIRWOMAN MARTIN: Okay. Thank you.
8 And Mr. Lirette?

9 MR. LIRETTE: Thank you. I have no
10 questions for the witnesses.

11 CHAIRWOMAN MARTIN: Okay. Thank you.
12 And Mr. Myers?

13 MR. MYERS: Yes. Thank you very much.
14 I just have one very quick question for Mr.
15 Laflamme please.

16 **CROSS-EXAMINATION**

17 BY MR. MYERS:

18 Q Mr. Laflamme, did I understand you correctly, or
19 did I not understand, that you said that the City
20 Bond Fixed Revenue Requirement, or the CBFRR, has
21 been removed from the revenue requirements?

22 A (Laflamme) No. The City Bond Fixed Revenue
23 Requirement is included in the determination of
24 the overall revenue requirement being presented

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 today.

2 Q All right. I apologize. Just one quick
3 follow-up.

4 Was one of the other fixed requirements
5 also -- actually stripped out of the temporary
6 rate structure?

7 A (Laflamme) I think you may be referring to the
8 North Country Capital Recovery Surcharge, which
9 is kind of -- it's a different revenue stream
10 from the base rates that are being proposed
11 today.

12 MR. MYERS: Okay. Thank you.

13 CHAIRWOMAN MARTIN: Okay. Thank you,
14 Mr. Myers. And last, Mr. Husband, do you have
15 questions?

16 MR. HUSBAND: Thank you, Chairwoman. I
17 have no questions today of either witness, or
18 "any of the witnesses", I should say.

19 CHAIRWOMAN MARTIN: All right. Thank
20 you. Commissioner Bailey.

21 COMMISSIONER BAILEY: Thank you.

22 BY COMMISSIONER BAILEY:

23 Q Mr. Goodhue or Mr. Laflamme, can you explain to
24 me the difference between -- or, what you mean by

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 "base rates"?

2 A (Goodhue) I can answer. Mr. Laflamme did
3 indicate that term. But "base rates", as I would
4 see it from the Company's perspective, are the
5 permanent rates that have been approved out of DW
6 17-128, and are comprised of the various revenue
7 buckets approved in that case. Being the CBFRR,
8 which is the City Bond Fixed Revenue Requirement,
9 or the portion of revenues that are required to
10 service the debt that the City floated in order
11 to purchase the Company in 2012. You've got the
12 OERR bucket of revenues, or the Operating Expense
13 Revenue Requirements.

14 Q I understand the buckets, Mr. Goodhue.

15 A (Goodhue) Oh. I'm sorry. Okay. Yes.

16 Q So, what I'm trying to get at, though, is do
17 "base rates" include things like usage rates?

18 A (Laflamme) Yes. Yes. Yes, what I mean by, when
19 I use "base rates", I mean the volumetric rates
20 and the -- and the meter and the monthly meter
21 charges. I use the term "base rates" in order to
22 differentiate those particular rates from the
23 surcharges, such as the North Country Capital
24 Recovery Surcharge and the -- and the QCPAC.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Okay. Thank you. So, then, every single rate,
2 except for the North Country Capital Recovery
3 Surcharge, is going to go up 14.03 percent, and
4 we're going to eliminate the QCPAC. Is that a
5 summary of what we're doing here?

6 A (Laflamme) Yes.

7 A *(Witness Goodhue nodding in the affirmative)*.

8 Q Okay.

9 A (Laflamme) Or, actually, I'd like to clarify.
10 Not "eliminate the QCPAC", but reset the QCPAC
11 percentage to zero.

12 Q Okay. Thank you for that clarification. So, Mr.
13 Laflamme, you went through the bill impacts, and
14 I was surprised, because I did a quick
15 calculation of the percent, the bill -- the
16 percentage increase for the bill. And I would
17 have expected that the bills would have gone up
18 14 percent, if all the rates go up 14 percent.
19 Is that reasonable?

20 A (Laflamme) Well, what the -- what I included in
21 the rates that customers are currently paying
22 are -- they also reflect -- they reflected the
23 QCPAC, the 2.98 percent QCPAC that customers are
24 currently paying. As indicated, if temporary

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 rates are approved, then the QCPAC goes from 2.98
2 percent to zero. And, so, in effect, the
3 customers are already paying 2.98 percent of
4 the -- a 2.98 percent portion of the 14.03
5 percent increase in base rates.

6 Q Right. Sorry, I understand that. So, then, it
7 would have been like an 11 percent increase, if
8 every rate goes up? Or, here's my question, my
9 bottom line question. The first bill impact
10 group that you talked about, you said they
11 currently pay "\$71.59 a month". You want me to
12 give you a minute to get to that, what you were
13 looking at?

14 A (Laflamme) Sure. Yes. Yes.

15 Q Okay. What customer group was that?

16 A (Laflamme) That was the non-North Country average
17 residential customers.

18 Q Okay. So, their rate -- their monthly bill is
19 going to go from \$71.59 to \$79.24. Is that
20 right?

21 A (Laflamme) Yes. Yes.

22 Q And I -- okay. And I calculate that to be about
23 a 10.7 percent overall increase. Would you agree
24 with that?

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Laflamme) Yes. Sure.

2 Q Okay. So, that's close to the 11 percent that I
3 would have expected.

4 A (Laflamme) Yes.

5 Q But the other three -- the other three groups
6 that you mentioned are more like 8.1, 8.2 percent
7 overall increase. Can you explain why that is?

8 A (Laflamme) Because those are also reflective of
9 the decreases in the North Country Capital
10 Recovery Surcharges. So, in other words, for the
11 Locke Lake system, you know, there is that
12 approximate 11 percent in the base charge, but
13 also the rates that I indicated also include a
14 reduction in the NCCRS, from \$12.81 to \$12.58.
15 So, rather than -- rather than an increase in
16 those North Country Capital Recovery Surcharges,
17 those customers are going to realize a decrease
18 in that. So, therefore, the rates -- the overall
19 rates probably would be closer to 8 percent, as
20 you calculated.

21 Q Okay. That's, you know, like a 50 cent
22 difference. That's not -- Mr. Goodhue maybe can
23 help explain.

24 A (Goodhue) Yes. And one of the things I think

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 that Mr. Laflamme is trying to describe, the
2 current rates that those North Country residents
3 are paying, including in that bill that they're
4 currently paying, is the North Country Capital
5 Recovery Surcharge. So, if you strip that out
6 and come to what that amount is exclusive of
7 that, and then compare that to the new rate,
8 you're going to see that 11 percent increase,
9 Commissioner.

10 Does that make sense? Did I explain
11 that?

12 Q Yes. I think that makes sense.

13 A (Goodhue) Yes.

14 Q So, we can say that customers are going to get
15 about an 11 percent increase in their bills as a
16 result of this temporary rate? All customers
17 will?

18 A (Goodhue) Exactly.

19 Q And the North Country customers will get, you
20 know, less than a dollar decrease?

21 A (Laflamme) Yes.

22 A (Goodhue) The North Country customers are going
23 to get the same increase in their base rates that
24 everybody else is, but they have this Capital --

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 North Country Capital Recovery Surcharge, again,
2 say that three times fast, that is, you know,
3 overall embedded on top.

4 Q Okay. When do you expect that the North Country
5 Surcharge will have fully recovered the debt that
6 you are recovering through that?

7 A (Goodhue) You know, I'm trying to recall exactly
8 the age of those debts, Commissioner. I know it
9 was as of 2010. I think that a lot of those
10 debts were incurred in the 2006 and 2007
11 timeframe. So, if you roll forward, anywhere
12 between probably 2031 and '32. I could look it
13 up.

14 But, you know, they still got
15 another -- another ten years in our windshield,
16 as far as the timeframe. So, it's approximately
17 that.

18 A (Ware) So, Larry, you may, and for Commissioner,
19 that debt was retermed in 2016 or '17, as part of
20 DW 17-128.

21 A (Goodhue) Thank you.

22 A (Ware) So, it was extended thirty years, in order
23 to reduce the level of payment. And also
24 match -- those were for assets that had mostly

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 pipeline and other stuff, 70- to 80-year lives.

2 And, as a result, you know, the fact is is that
3 it's like 2047 before that surcharge disappears.

4 A (Goodhue) Thank you for that reconciliation, Mr.
5 Ware. So, thank you.

6 A (Laflamme) Yes. And I would also add that, I
7 believe that there are two loans in play relative
8 to that surcharge. And those loans are
9 highlighted on Bates Page 015 of the Settlement
10 Agreement. I don't know if you have a color -- a
11 color copy of that. But one of them is about,
12 what, four lines down from the top, it's the
13 "Birch Hill North Country Loan". And then, the
14 second one is at the very bottom of the listed
15 loans, and that's "Penn Corp: Refinanced
16 \$1,157,403 North Country Loan of 2018". And it
17 also provides -- those two lines provide the
18 maturity dates for those two loans.

19 A (Goodhue) Yes. So, the answer is kind of a
20 bifurcated answer, Commissioner Bailey. This is
21 Mr. Goodhue. In that we do have one of the loans
22 expiring about 10 years from now, and another one
23 17 years from now -- 27, do my math, 27 years
24 from now.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Q Okay. Thank you. Can we look at Exhibit 2, Page
2 10?

3 A *(Witness Goodhue nodding in the affirmative)*.

4 Q So, Mr. Goodhue, this is --

5 A (Goodhue) Go ahead.

6 Q Can you hear me?

7 A *(Witness Goodhue nodding in the affirmative)*.

8 Q Okay. This is the calculation of PEU's portion
9 of the loan that the City purchased. And, if you
10 go through the lines there, one, two, three,
11 four, five, six, the seventh line down from, you
12 know, where it says "Total City Bond", "Bond
13 Interest Rate", "Bond Period", "Total City Bond",
14 "Less Rate Stabilization fund", "Amount of City
15 Bond to be prorated", and then it says "PWW Share
16 of CBFRR". Should that be "PEU"?

17 A (Laflamme) Yes.

18 A (Goodhue) Yes. Yes, it should be. Yes, it
19 should be. Very good catch.

20 Q Okay. I was just trying to understand the
21 calculation, and I was wondering why. So, both
22 of those "PWW"s should be "PEU"?

23 A (Goodhue) That is correct.

24 Q Okay. All right. So, it's just a typo. And

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 then, possibly the rest of the -- well, not the
2 rest of the whole page. But just take a look
3 down that page and see if there's any other PWWs.
4 I think that's the only place.

5 A (Goodhue) I think you're correct, that that is
6 the only place that did not get properly updated,
7 Commissioner.

8 MS. BROWN: Could we reserve a record
9 request, Exhibit 4, for this sheet only, just to
10 correct it?

11 COMMISSIONER BAILEY: I mean, I
12 understand it. It's up to the Chair.

13 CHAIRWOMAN MARTIN: I think we could
14 take it as a record request, and that way we'll
15 have a clean record.

16 COMMISSIONER BAILEY: Okay.

17 **(Exhibit 4 reserved)**

18 MS. BROWN: Thank you. I prefer to
19 have many eyes on this document, and actually,
20 you know, be assured that we are accurately
21 representing it. Thank you very much.

22 BY COMMISSIONER BAILEY:

23 Q Okay. Now, I'd like to look at the Annual
24 Report, Exhibit 3, on Page -- Pages 4 and 5. And

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 this shows the -- see if I can get this back
2 together -- the lost water, right, at the bottom
3 of the page of each table?

4 A *(Witness Goodhue nodding in the affirmative).*

5 Q Mr. Goodhue is shaking his head "yes". Okay.

6 A (Goodhue) I'm sorry. That is correct, ma'am.

7 Q Okay. So, if we look at "Farmstead" -- no,
8 sorry, "Daniels Lake", "67 percent" of your water
9 is lost, and "Gage Hill", "69 percent", and
10 "Goldenbrook", "49 percent", there are some big
11 numbers here. Would you agree with that? And
12 could you explain why that is?

13 A (Ware) Yes, Commissioner. Let me address that.
14 This is Don Ware.

15 So, first of all, when you pick out
16 "Daniels Lake", that is a three gallon a
17 minute --

18 *(Multiple speakers within the audio*
19 *feed.)*

20 COMMISSIONER BAILEY: Jody? Jody,
21 you're not on mute.

22 CHAIRWOMAN MARTIN: Ms. Carmody, can
23 you go on mute please?

24 MS. CARMODY: I'm sorry. I just lost

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 like everybody. Did everybody else lose? Okay.
2 I am going to put myself back on mute. I was
3 trying to call in to see if could figure out
4 what's going on, and you all appeared. So,
5 sorry.

6 CHAIRWOMAN MARTIN: That's okay. Thank
7 you.

8 WITNESS GOODHUE: Somebody else is not
9 on mute.

10 WITNESS WARE: Yes.

11 CHAIRWOMAN MARTIN: Appears that
12 everyone else is on mute.

13 That's better. Okay. Go ahead.

14 BY COMMISSIONER BAILEY:

15 Q All right. So, Mr. Ware, you were explaining
16 the table in Exhibit 3.

17 A (Ware) Yes. Well, let's start out with Gage
18 Hill. So, by example, Gage Hill is 29 customers.
19 It's got a single well. And it has about two
20 miles' worth of pipeline. There's an average of
21 11 to 12 leaks a year. But, like I said, that
22 one it averages -- that amount of unaccounted for
23 water was two gallons per minute. So, two
24 gallons per minute, and that water is one of the

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 unique ones in that it's not treated at all, it
2 gets a little bit of chlorine.

3 You know, and I could pull up, I
4 actually calculate every year the cost of the
5 unaccounted for water. The cost of the
6 unaccounted for water there is about \$2,000 a
7 year, because it's a very small system. And,
8 when you're looking for a two gallon a minute
9 leak, it's typically on a service, could be a
10 little crack on a piece of pipe, on a number of
11 different services, very difficult to find.

12 And, so, we prioritize, in the 45
13 systems, based on the cost of the leak, and the
14 size of the leak, and the capacity of the wells,
15 where we look. Because tracking down, you know,
16 in order to find a leak like that, you have to
17 do, you know, look for it at night, when
18 everything is quiet. Otherwise, you'd hear usage
19 in the system from other customers. So, it
20 gets -- you spend thousands of dollars in order
21 to find a small leak.

22 So, long story short, our goal is to,
23 you know, is to strive for 15 percent unaccounted
24 for, ideally 10 percent or less, I'll call it

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 "non-revenue water".

2 There are certain systems, again, Gage
3 Hill has been on our list of pipe to replace,
4 but, for 29 customers, it's about an \$800,000
5 pipe replacement. And, so, you struggle, how
6 much do you spend? Now, there is a disruption to
7 those customers. So, typically, once a month, I
8 said there was 12 breaks there last year, those
9 people are without water for a day. So, at some
10 point, you're going to go in and you're going to
11 replace that pipe. But other, you know, other
12 systems have higher priorities.

13 Locke Lake, when we took it over, had
14 leakage rates of about 70 percent. We're down
15 now, as of last month, we're averaging about 17
16 to 18 percent, roughly 25 to 26 gallons a minute.
17 That is on a conservation program with the DES.
18 And we go through and listen on that system
19 actively every year. We've replaced most of the
20 pipe in that system. But the customer side, the
21 stop in prior to the meter, is where the leakage
22 is happening. And, so, again, you have to find
23 it, and you have to go and listen on 1,100
24 services, and that 29 gallons a minute is

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 typically spread, you know, if you could find it
2 all, you know, would be spread amongst a dozen
3 services or so. So, those are the challenges.

4 Daniels Lake is a little, tiny system
5 with 25 customers, in Weare, New Hampshire. And,
6 again, when you look at the leakage, the rate,
7 that amount of leakage is accounting, so, it's
8 smaller than Gage Hill, it's a little less than
9 two gallons a minute. And, so, those are ones
10 that, again, we typically do not spend a lot of
11 time on. Eventually, a leak will get bad enough
12 and it will surface. And like it's groundwater,
13 so, it returns to groundwater. And the cost of
14 either finding the leak and/or repairing it far
15 exceeds the cost of the leakage itself.

16 So, like I said, we have all 45 of
17 those systems, plus all the systems in PWW,
18 categorized by the type of treatment, the amount
19 of treatment, the electrical costs, based on the
20 size of the wells and the booster pumps, and we
21 track month over month, because we read the
22 production meters on the same day as we read all
23 the retail meters, and we track month over month
24 the unaccounted for, and go over the systems

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 where the costs are the highest, and where you're
2 not going to spend more finding the leak than
3 letting it go.

4 Q And, so, what's the total cost on a monthly basis
5 or on an annual basis for all of this unaccounted
6 for water?

7 A (Ware) All right. I'm going to pull up this
8 spreadsheet. So, just bear with me. I certainly
9 would be willing to share this in the form of a,
10 you know, data response.

11 Q That's fine. I just -- my question is, how much
12 are these leaks adding to your operating
13 expenses? And you're saying "not as much as it
14 would cost to repair them."

15 A (Ware) Right. And remember, percentage. So,
16 I'll use as an example, the core system in
17 Pennichuck Water Works is about 9 percent
18 unaccounted for. That's considered to be "top
19 shelf". Put that into perspective, we're
20 averaging 10 million gallons of water a day, 9
21 percent of that is 900,000 gallons a day.

22 A two gallon a minute leak is 2,880
23 gallons of water per day. And, so, with these
24 small systems, little tiny leaks rarely pop up.

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 But, again, the cost is fairly minimal, you know,
2 to those. And we, you know, have one person,
3 that's effectively all they do, you know, is go
4 out and investigate, you know, leaks in some of
5 the systems.

6 We've literally been chasing a leak in
7 one system for two years, been out at night, you
8 know, check the production meter, go and shut off
9 different parts of the system in order to see
10 where the leak is, and have been unable to find
11 it. We had the state come in, through a grant,
12 look at the same system; they couldn't find it.
13 And it's, you know, in this case, it's about a
14 6.6 gallon a minute leak, or multiple leaks that
15 total that.

16 So, it is a challenge. We spend a lot
17 of time on it. You know, overall, again, I can
18 pull up the number. I can tell you, if you
19 eliminated everything, all leakage above 10
20 percent, based on current day costs, what the
21 cost would be. And, while I'm sitting here
22 talking, I'm trying to get to that, that point.

23 All right. So, this is a run for 2020.
24 And, in PEU -- so, in PEU, as a for instance, we

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 reported 62 leaks during 2020. And the cost of
2 the total leakage across all the systems above
3 the 10 percent threshold was \$76,000. But, by
4 example, you know, where was the biggest part of
5 that? It was in the Londonderry system, which is
6 a big system. It's around 2,000 customers. And
7 the unaccounted for water in what's called the
8 "Londonderry core", averages, you know,
9 typically, right now about 14 percent. So, it's
10 below the 15 percent level. It's just a big
11 system, more flow.

12 So, I was just going to pull up, in
13 Weare, the cost of that leak, let's see, well,
14 actually, in 2020, because you have the 2019
15 before, let's see, the unaccounted for was 43
16 percent, and the cost -- the cost of that leakage
17 over 10 percent was \$705.01.

18 You know, so, again, we prioritize. I
19 said, you know, during the year, 62 leaks were
20 found and, you know, found and located. We have
21 somebody actively searching, based on the monthly
22 report comparing production against -- production
23 into the system against actual metered water.

24 COMMISSIONER BAILEY: Okay. Thank you

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 very much for that explanation.

2 That's all I have, Madam Chair.

3 CHAIRWOMAN MARTIN: Okay. Thank you.

4 I just have one question left related to
5 foregoing collection of the 2020 QCPAC.

6 BY CHAIRWOMAN MARTIN:

7 Q That Docket 20-019 is open. Is there a plan to
8 withdraw that request or how is that -- how are
9 we going to handle that pending request? If
10 anyone knows?

11 MS. BROWN: Was there a Staff
12 recommendation letter issued in that docket?

13 CHAIRWOMAN MARTIN: There was a Staff
14 recommendation, yes.

15 WITNESS LAFLAMME: Yes.

16 CHAIRWOMAN MARTIN: If the witnesses
17 don't know, I can hear from counsel at the end.
18 I just wanted to close the loop on what exactly
19 "forego collection" in the other docket means,
20 and what implications it has for the docket?

21 **BY THE WITNESS:**

22 A (Goodhue) This is Mr. Goodhue speaking. One of
23 the things I think that's important for the
24 Company to say is, you know, we're agreeing to

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 embed that QCPAC surcharge into the temporary
2 rate request as we're awaiting permanent rate
3 relief in this case. But it is important that
4 the QCPAC process, on an annual basis, continue
5 to be adhered to. Because we do issue debt
6 annually, and must get the cash flow coverage to
7 service that debt annually.

8 So, I will defer to, you know, our
9 attorney and the Staff attorney to talk about the
10 legal process of that. But it's important for us
11 to understand that it's -- this is a process that
12 has to continue going forward with an annual
13 filing and consideration between rate cases.

14 BY CHAIRWOMAN MARTIN:

15 Q Thank you, Mr. Goodhue. When you say we're
16 "embedding that in the temporary rates", though,
17 that refers to the QCPAC that's currently
18 approved in DW 19-035, right? In 20-019, that
19 has not been approved. And, so, that's why I
20 have the question.

21 *(Short pause.)*

22 CHAIRWOMAN MARTIN: Well, we'll hear
23 from counsel on that at the end.

24 **BY THE WITNESS:**

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Ware) Commissioner Martin, the intent is to
2 forego that. I'm not the attorney. In other
3 words, that case will be terminated, assuming
4 temporary rates are granted. If temporary rates
5 were not granted, say it was a determination to
6 set temporary rates at current rates, so there
7 was no effective increase, we would need to
8 proceed with that case, because we started
9 incurring the principal and interest payments on
10 the loan entered into CoBank last November.

11 CHAIRWOMAN MARTIN: Okay. Thank you,
12 Mr. Ware.

13 Commissioner Bailey.

14 BY COMMISSIONER BAILEY:

15 Q So, if we approve the temporary rates, are we
16 finding that the investments in the 2020 QCPAC
17 case are prudent?

18 MS. BROWN: Did you want me to respond
19 to this now or later?

20 CHAIRWOMAN MARTIN: Commissioner
21 Bailey?

22 COMMISSIONER BAILEY: Either way is
23 fine with me.

24 CHAIRWOMAN MARTIN: I mean, I think

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 we're going to need to hear from counsel, because
2 it says "we will forego collection". So, we'll
3 need clarity on that.

4 Why don't we wait and just see if
5 there's any redirect and hear from counsel at the
6 end.

7 Okay. I have no other questions. So,
8 Ms. Brown, do you have redirect?

9 MS. BROWN: I don't believe I have
10 redirect. And I'm seeing my witnesses saying
11 "none". Thank you.

12 CHAIRWOMAN MARTIN: Okay. And
13 Ms. Fabrizio?

14 MS. FABRIZIO: I do not actually have
15 redirect. But, to the extent that Mr. Laflamme
16 is able to respond to the issues raised about
17 20-019, I would give the floor to him. I am not
18 on that docket. So, I am not familiar with it at
19 this point.

20 CHAIRWOMAN MARTIN: Okay. Yes.
21 Definitely, Mr. Laflamme, if you have any
22 testimony in response to my question or
23 Commissioner Bailey's, it would be helpful.

24 **BY THE WITNESS:**

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 A (Laflamme) Yes. In DW 20-019, as indicated
2 before, there was a Staff recommendation for
3 approval of the Company's 2020 QCPAC, based on
4 its 2019 capital expenditures. And that is
5 currently pending, that is currently pending
6 before the Commissioners.

7 As Mr. Goodhue indicated, that I think
8 Staff's position is that that particular
9 proceeding is kind of in stasis right now,
10 pending the Commission's decision on the
11 temporary rates in this proceeding.

12 BY CHAIRWOMAN MARTIN:

13 Q But, to Commissioner Bailey's question, if the
14 Settlement Agreement is approved, that doesn't
15 have an implicit approval of the QCPAC in DW
16 20-019. That is actually being forgone?

17 A (Laflamme) I don't believe that it does. And I
18 may be speaking outside of my lane of expertise
19 here, because I am not -- I am not an attorney.
20 But, you know, it's my belief that the temporary
21 rates are based on the books and records on file
22 with -- on file with the Commission. And those
23 books and records on file with the Commission
24 include the improvements that were made by the

[WITNESS PANEL: Goodhue|Ware|Laflamme]

1 Company in 2019.

2 And I think -- I think, given the
3 reconciliation statute for temporary rates, I do
4 not believe that it's -- that a final
5 determination is required by the Commission at
6 this point to find that those capital
7 expenditures were prudent, used and useful.

8 CHAIRWOMAN MARTIN: Commissioner
9 Bailey, do you have -- oh, you do. Go ahead.

10 BY COMMISSIONER BAILEY:

11 Q So, does that mean that we would be doing that
12 determination as part of the rate case, because
13 it's 2019, and that's the test year?

14 A (Laflamme) That would be -- that would be my
15 unlegal opinion, yes.

16 COMMISSIONER BAILEY: Okay. Thank you.
17 That makes sense.

18 CHAIRWOMAN MARTIN: Okay. Let's see.
19 We need to deal with the exhibits. So, without
20 objection, we will strike the ID on Exhibits 1
21 through 3 and admit those as full exhibits. And
22 we will also leave the record open and reserve
23 Exhibit 4 for the record request, which will be
24 for the corrected Bates Page 010 of Exhibit 2.

1 Anything else related to the exhibits?

2 [No verbal response.]

3 CHAIRWOMAN MARTIN: Okay. Then, we
4 will start with closings. And we will hear from
5 Mr. Kreis first.

6 MR. KREIS: Thank you, Madam
7 Chairwoman. And thank you for calling on me
8 first.

9 As I've already stated, the Office of
10 the Consumer Advocate is a signatory to the
11 Settlement Agreement, and we urge its approval.
12 Trimming back the temporary rate request to an
13 across-the-board increase of about 14 percent,
14 and zeroing out the QCPAC, seems like a
15 reasonable step to take at this point in the
16 proceeding.

17 Obviously, everything is fully
18 reconciling back to the temporary rate effective
19 date, which I remember is back in December, I
20 believe. And, so, I think that there are
21 relatively few issues for the Commission to gnaw
22 over here.

23 I would assume it's fairly obvious, or
24 at least it seems fairly obvious to me, that the

1 letter that the Staff of the Commission filed in
2 20-019, back on March 11, becomes a bit of a moot
3 point at this point. Because, again, what the
4 Company has agreed to do is reset the QCPAC back
5 down to zero. And, obviously, in future years,
6 it will gather steam again.

7 I don't think I have much else to say,
8 other than to suggest that the Commission approve
9 the Agreement. I want to assure everybody that
10 there are plenty of issues in this rate case to
11 gnaw over during the permanent phase. None of
12 them are truly implicated by the Temporary Rate
13 Settlement. And we look forward to working with,
14 and I suppose possibly arguing with, the Company
15 about the issues in the permanent rate case in
16 due course.

17 CHAIRWOMAN MARTIN: Thank you, Mr.
18 Kreis. Commissioner Bailey, did you have any
19 questions?

20 COMMISSIONER BAILEY: No thanks.

21 CHAIRWOMAN MARTIN: Okay.
22 Ms. Fabrizio.

23 MS. FABRIZIO: Thank you, Madam Chair.

24 I would say at this point, Staff

1 supports the Company's request for temporary
2 rates in this docket. We believe that the
3 Company's Petition for Temporary Rates meets the
4 applicable requirements of RSA 378:27, and that
5 appropriate customer rates will result when
6 permanent rates are ultimately approved and the
7 temporary rates are reconciled at the conclusion
8 of this proceeding.

9 The Company provided adequate notice to
10 its customers of the proposed temporary rate
11 impact. And, based on a preliminary review of
12 the Company's permanent rate petition and related
13 filings, Staff finds that the temporary rate
14 proposal is reasonable and in the public
15 interest.

16 Staff also supports approval of the
17 Settlement presented today, which establishes an
18 appropriate framework with which to proceed in
19 considering the Company's request for a permanent
20 change in rates.

21 Staff, therefore, recommends that the
22 Commission approve the Petition for Temporary
23 Rates and the Settlement before it today.

24 Thank you.

1 CHAIRWOMAN MARTIN: Thank you. And
2 Mr. Myers.

3 MR. MYERS: Thank you. Thank you very
4 much for this opportunity. I'll be brief.

5 I did listen to Donald Ware tell us the
6 primary drivers of the increase, which included
7 union and labor costs, purchased water costs,
8 treatments costs, community wells, like the one
9 that adjoins my backyard, insurance costs,
10 property taxes, *etcetera*. And I do understand
11 that a lot of work on the parts of all the people
12 here went into this.

13 At the same time, I just do want to put
14 on the record that, during the test year, the
15 inflation rate in the United States was 1.8
16 percent, and, in the two previous years, 2.4 and
17 2.1. So, a 14 percent, and I understand it's a
18 temporary rate increase, to me, and to my
19 clients, is rate shock.

20 The 2019 Social Security increase was
21 only 1.6 percent. And if you -- I would ask the
22 Commission please to take those facts as
23 administrative notice, because they have been in
24 the papers, they have been in the media. Where

1 Social Security has only gone up 1.6 percent in
2 the test rate -- in the test year, I think that
3 a 14 percent temporary rate increase is rate
4 shock.

5 Again, I do recognize that a lot of
6 work has gone into considering these numbers and
7 looking at the charts. At the same time, in the
8 case of *Appeal of Eastman Sewer Company*, 138 New
9 Hampshire 221, the Supreme Court noted that, in
10 determining just and reasonable rates, the PUC
11 "must balance the consumers' interest in paying
12 no higher rates than are required", and that the
13 protection of the Company's interests "must be
14 secondary to the primary concern of the
15 Commission, which is the protection of the
16 consuming public."

17 So, that's why I did not sign off on
18 the Agreement. And I would just note again, I
19 know a lot of work has gone into this. But I
20 would ask that a lot more work go into the final
21 rates later this year.

22 And thank you for giving me the
23 opportunity to speak, Commissioner.

24 CHAIRWOMAN MARTIN: Thank you, Mr.

1 Myers. Commissioner Bailey, do you have any
2 questions?

3 *(Commissioner Bailey indicating in the*
4 *negative.)*

5 CHAIRWOMAN MARTIN: Okay. And Mr.
6 Lirette.

7 MR. LIRETTE: Thank you, Chairwoman.
8 The Towns of Londonderry, Pelham,
9 Litchfield, and Hooksett are signatories to the
10 Agreement. We agree to the rates as set forth by
11 the terms of the Agreement.

12 And would just add, we reserve our
13 right to challenge the permanent rates in the
14 future in the final determination by the
15 Commission.

16 Thank you.

17 CHAIRWOMAN MARTIN: Thank you. Mr.
18 Husband.

19 MR. HUSBAND: Thank you, Chairwoman.
20 At this time, I want to just thank the Commission
21 for providing me this opportunity.

22 And say that I don't have much to say,
23 except that I will speak more on the permanent
24 rates. I am a signatory to the Temporary Rates

1 Agreement, though, and I do support its
2 approval.

3 CHAIRWOMAN MARTIN: Thank you, Mr.
4 Husband. And Ms. Brown.

5 MS. BROWN: Thank you, Commissioners,
6 for your time today.

7 The points that the Company has put on
8 the record through the witnesses, Mr. Goodhue and
9 Mr. Ware, I'm not going to reiterate. But the
10 Company respectfully requests that the Commission
11 approve the Temporary Rate Settlement. The
12 Commission does have authority under the
13 temporary rate statute in RSA 378 to award
14 temporary rates.

15 The Company's books and records on file
16 show that, based on actual expenses, and we
17 understand, you know, the cost-of-living
18 argument, rate of inflation argument, but, based
19 on actual expenses, the Company is not earning
20 sufficient revenues to cover its costs to operate
21 the system.

22 And the Commission has suspended the
23 Company's rates, and thereby set in motion a
24 confiscatory rate situation, which we are hoping

1 to address with the temporary rate proposal,
2 temporary rates, and full reconciliation at the
3 conclusion of the case. We think that that will
4 take care of the confiscatory nature of the
5 suspended rates, given the fact that the Company
6 is not earning its needed revenues.

7 The effective date, December 24th, has,
8 as we stated through the witnesses, been amply
9 noticed to the customers. And, so, we think it
10 complies with the Commission's rules and the
11 statutes, and, in particular, the 1980 *Appeal of*
12 *Pennichuck* case that rates cannot be effective
13 any earlier than the properly noticed tariffs.
14 And the tariffs were indeed noticed for an
15 effective date of December 24th when they were
16 originally filed.

17 And, so, with those, and that summary,
18 we respectfully ask that the Commission approve
19 the Settlement Agreement.

20 But, given that we are now in May, and
21 I hear that Commissioner Bailey may be leaving us
22 in June, and this may be the last hearing that we
23 have for this Company before her, I just wanted
24 to publicly thank her service, her public service

1 for decades, and wish her well in her next
2 endeavor.

3 And, again, thank you for your time
4 today.

5 CHAIRWOMAN MARTIN: Commissioner
6 Bailey.

7 COMMISSIONER BAILEY: Thank you,
8 Ms. Brown.

9 CHAIRWOMAN MARTIN: Okay. Well, thank
10 you, everyone, for your efforts today. And I do
11 want to recognize the parties, and the witnesses
12 specifically, for the amount of detail that you
13 walked through for your presentation today. That
14 is very much appreciated, and not everybody does
15 that. So, thank you for doing that today.

16 We will take this matter under
17 advisement and issue -- oh, Ms. Brown, do you
18 have your hand up?

19 MS. BROWN: Yes. And I'm sorry if the
20 background is getting -- confusing it.

21 I forgot, in my closing, to address the
22 point that you had asked of "what do the lawyers
23 think about disposition of DW 20-019?"

24 If you would like me to opine on that,

1 I can?

2 CHAIRWOMAN MARTIN: Yes. Let's do that
3 before we close.

4 MS. BROWN: Given that there is the
5 Staff recommendation there, and given that this
6 is an ongoing program, the Commission could
7 proceed with approving the plant that has already
8 been, you know, opined on and investigated by
9 Staff, and then defer the rate impact to the rate
10 case, which we have teed up in temporary rates.

11 So, I apologize for using the term
12 "forego". I now see the confusion procedurally
13 that that has caused. But the Company just
14 merely seeks a different mechanism to recover the
15 revenues it seeks in the QCPAC.

16 So, in my mind, the Commission has
17 two avenues. It can defer its opinion on
18 "prudent, used and useful" on the assets in
19 20-119 [20-019?] to the rate case, or it can make
20 it in the QCPAC filing, and just defer the rate
21 impact to the rate case.

22 So, I think there are two proper
23 avenues. And perhaps issuing a order in 20-019,
24 and noticing it, would satisfy the notice

1 provisions in that docket, and then refer
2 everyone to the rate impact in the rate case
3 proceeding.

4 So, that's how I was seeing this
5 fleshing out. Thank you.

6 CHAIRWOMAN MARTIN: So, just to
7 clarify, the words "forego collection" could also
8 be said to be "defer collection" to the rate
9 case, is that --

10 MS. BROWN: That could be an
11 appropriate descriptive term. I mean,
12 ultimately, the Company wants to recover the
13 revenues for those assets. And it's not picky on
14 which mechanism it's using. So, --

15 CHAIRWOMAN MARTIN: So, they're not
16 foregoing them forever?

17 MS. BROWN: Right. Or they're just
18 being --

19 CHAIRWOMAN MARTIN: Or it's not --

20 MS. BROWN: It's being absorbed, by
21 this Temporary Rate Settlement, it's being
22 absorbed into the rate case rate mechanism,
23 rather than the QCPAC surcharge rate mechanism.

24 And, again, I apologize for the

1 confusion, the wording.

2 CHAIRWOMAN MARTIN: Okay. Is everyone
3 in agreement with Ms. Brown's representations
4 related to that? The signatories to the
5 Settlement Agreement? Any objection to that?

6 MR. KREIS: I believe the OCA agrees
7 with Ms. Brown's characterizations.

8 CHAIRWOMAN MARTIN: Okay.
9 Ms. Fabrizio?

10 MS. FABRIZIO: It sounds logical, from
11 my perspective. Again, I'm not -- I'm not aware
12 of the details, but I understood Ms. Brown's
13 argument to be efficient.

14 CHAIRWOMAN MARTIN: Okay. Mr. Husband?
15 I think you're on mute.

16 MR. HUSBAND: I'm sorry. I, frankly,
17 do not know enough about the issue at this time
18 to take a position.

19 I have no reason to question anything
20 that Attorney Brown said. So, --

21 CHAIRWOMAN MARTIN: Okay. And Mr.
22 Lirette?

23 MR. LIRETTE: No objection.

24 CHAIRWOMAN MARTIN: Okay. Commissioner

1 Bailey, do you have any follow-up questions based
2 on that?

3 *(Commissioner Bailey indicating in the*
4 *negative.)*

5 CHAIRWOMAN MARTIN: Okay. Thank you
6 for that clarification.

7 All right. Now, we'll go back to where
8 we were, which is the Commission will take this
9 matter under advisement and issue an order.

10 Thank you, everyone, for today. We are
11 adjourned.

12 COMMISSIONER BAILEY: Thanks, everyone.

13 ***(Whereupon the hearing was adjourned***
14 ***at 3:30 p.m.)***

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