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9 Direct Testimony for Permanent Rates of Stephen P. St. Cyr in DW 20-187

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6  
7 **INTRODUCTION**

8  
9 Q. Please state your name and address.

10  
11 A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,  
12 Biddeford, Me. 04005.

13  
14 Q. Please state your present employment position and summarize your professional  
15 and educational background.

16  
17 A. I am presently employed by St. Cyr & Associates, which provides accounting,  
18 tax, management and regulatory services. The Company devotes a significant  
19 portion of the practice to serving utilities. The Company has a number of  
20 regulated water utilities among its clientele. I have prepared and presented a  
21 number of rate case filings before the New Hampshire Public Utilities  
22 Commission. Prior to establishing St. Cyr & Associates, I worked in the utility  
23 industry for 16 years, holding various managerial accounting and regulatory  
24 positions. I have a Business Administration degree with a concentration in  
25 accounting from Northeastern University in Boston, Ma. I obtained my CPA  
26 certificate in Maryland although I'm not able to hold myself out as a CPA due to  
27 different state requirements.

28  
29 Q. Is St. Cyr & Associates presently providing services to Lakes Region Water  
30 Company ("LRWC" or "Company")?

31  
32 A. Yes. St. Cyr & Associates prepared the various exhibits, oversaw the preparation  
33 of the supporting schedules, prepared the written testimony and prepared other  
34 rate case filing requirements. In addition, St. Cyr & Associates prepares the  
35 Company's PUC Annual Report.

36  
37 Q. Are you familiar with the pending rate application of the Company and with the  
38 various exhibits submitted as Schedules 1 through 4 inclusive, with related  
39 schedules?

40  
41 A. Yes, I am. The exhibits were prepared by me, utilizing the financial records of  
42 the Company.

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6  
7 Q. Would you please summarize what the Company is requesting in its rate filing?

8  
9 A. The Company respectfully requests that the Commissioners approve the  
10 consolidation of rates to all of the Company’s water systems including Dockham  
11 Shores and Wildwood Water. If the Commissioners approve the consolidation of  
12 rates, the Company respectfully requests that the Commissioners also approve an  
13 increase in revenues of \$260,172 or 19.69% from the Company’s 1,812  
14 unmetered and metered customers.

15  
16 If the Commissioners do not approve the consolidation of rates, the Company  
17 respectfully requests that the Commissioners approve an increase in revenues of  
18 \$144,913 or 11.53%, \$57,211 or 148.10% and \$54,737 or 213.44% from the  
19 Company’s LRWC (w/o DS & WW), DS & WW, respectively.

20  
21 Q. What is the test year that the Company is using in this filing?

22  
23 A. The Company is utilizing the twelve months ended December 31, 2019.

24  
25 **RECENT DEVELOPMENTS**

26  
27 Q. Before you explain the schedules, please provide a brief overview of the  
28 Company and some recent developments pertaining to the Company.

29  
30 A. In 2016 the NHPUC approved the Company acquisition of the assets and utility  
31 franchise of the former Dockham Shores Estates Water Company serving  
32 approximately 60 customers in the Town of Gilford, NH. The NHPUC also  
33 authorized the Company to borrow up to \$135,000 to finance the purchase of the  
34 utility assets and to make significant improvements to the water system. The  
35 NHPUC further authorized the Company to submit a subsequent step adjustment  
36 in the DS’ revenue requirement in an amount not to exceed \$6,620, to recover the  
37 approximately \$60,000 in capital improvements. On December 4, 2018 the  
38 Company filed a petition with the NHPUC for a step adjustment in DS revenue of  
39 \$53,894 from DS customers. The request was based on \$300,599 of total plant.  
40 The Company incurred greater investment in the system due to greater need.  
41 NHPUC approved an annual step increase in revenues from DS’ customers of  
42 \$6,620, pursuant to the previously maximum amount of the step adjustment. The  
43 NHPUC further stated that “We note that the Company is not precluded from  
44 filing for the additional recovery, including acquisition costs, in either a future DS  
45 or LRWC rate case.”  
46

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7 In 2018 the NHPUC approved the Company acquisition of the assets and utility  
8 franchise of the former Wildwood Water (“WW”) Company serving  
9 approximately 49 customers in the Town of Albany, NH. The Company has now  
10 operated WW for more than a year. The Company has determined that the  
11 existing pump station is aging and in need of replacement. A new pump station  
12 will provide constant pressure, adequate iron removal, larger well storage and a  
13 backup generator. The proposed new pump station would include a new building,  
14 generator, storage tank and treatment equipment. The Company estimated that the  
15 new pump station will costs \$260,000.  
16

17 Also, in 2018, the PUC established DW 18-056, an Investigation to Determine  
18 Rate Effects of Federal and State Corporate Tax Reductions. In PUC Order No.  
19 26,340, the PUC ordered the Company to record annual and cumulative  
20 regulatory to track tax savings realized from corporate tax rate decreases. The  
21 Commission also ordered LRWC to record a regulatory liability equivalent to its  
22 calculated excess deferred income tax reserve. The Commission’s order was not  
23 meant to, nor did it in fact, make any decision with regard to the rates to be paid  
24 by LRWC’s customers. The Company appealed the PUC order to the NH  
25 Supreme Court (case No. 2020-0302). I a Joint Motion for summary disposition  
26 of the appeal, the parties agreed that “the Commission will establish new rates for  
27 LRWC, as well as a necessary refund or credit, if any, including a reasonable  
28 amortization thereof, for any past over-recovery by LRWC only in the context of  
29 LRWC’s next rate case.” The Joint Motion for summary disposition was granted  
30 by the court.  
31

32 In 2019 the Company filed a petition for approval of a \$633,000 loan from  
33 CoBank, ACB to finance the following: to reimburse itself for the replacement of  
34 the pump station at DS (\$215,000), replacement of the pump station at WW  
35 (\$260,000) and water main replacements at two Paradise Shores system locations,  
36 Paradise Shore Road (\$92,000) and Robin lane (\$66,000). On August 14, 2020  
37 the NHPUC Staff recommended that the Commission approve LRWC’s petition.  
38 The Company is awaiting NHPUC approval.  
39

40 Also, in 2019, the Company filed a request for change in rates, in part to fully  
41 recover its investment in the new pump station, for its DS customers. On  
42 December 4, 2020, the NHPUC Staff filed a Settlement Agreement, entered into  
43 by the NHPUC Staff and LRWC. The Settlement Agreement proposed both  
44 temporary and permanent rates. The permanent rates for DS are equivalent with  
45 LRWC’s current consolidated general service – metered customer rates. On  
46 December 17, 2020 a hearing was held on the Settlement Agreement.

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6  
7 **YEAR END RATE BASE**

8  
9 Q. Why have you used year end rate base in your analysis of LWRC rates?

10  
11 A. I included all of the assets placed in service during the test year in rate base and a  
12 full year's depreciation because all of the assets were known and measurable and  
13 fully in use for the customers' benefit at December 31, 2019. Historically, the use  
14 of test year average rate base has been used for additons that result in new  
15 customer revenues in order to match revenues to rate base. However, in this case,  
16 all or nearly all of the investment in new plant was to replace aging infrastructure  
17 in order to continue to serve customers in compliance with DES and PUC water  
18 service rules.

19  
20 If the Company is not allowed the 2019 and 2020 assets to be fully reflected, it  
21 loses the related revenue between now and its next rate case. Even in the next  
22 rate case, it will not recover the lost revenue between now and then. It will only  
23 earn a return on the reduced net asset value, not the full asset value. The result  
24 would deny the Company a reasonable return on its actual investment in plant  
25 required to serve customers.

26  
27 Use of year end rate base is consistent with Order No. 25,391, in which the  
28 Commission considered circumstances similar to this case and explained that  
29 "though we traditionally employ a 13 month average for rate base additions, we  
30 will make a one-time exception and utilize the year end rate base for certain non-  
31 revenue producing plant in service, as Lakes Region requested." For these and  
32 other good reasons, I used year end rate base in order to determine a just and  
33 reasonable rate.

34  
35 **INTRODUCTION TO RATE CASE SCHEDULES**

36  
37 Q. Why has the Company proposed four sets of schedules?

38  
39 A. The Company has prepared four sets of schedules based in part on the Settlement  
40 Agreement reached in the Dockham Shores rate case in DW 19-177. The first set  
41 of schedules reflects the Total Company with all of LRWC's customers served  
42 under a consolidated rate. LRWC requests that the Commission approve rate  
43 consolidation as shown in the Total Company schedules.  
44  
45  
46

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6  
7 The other 3 sets of schedules show LRWC’s general rates without consolidation  
8 as well as the DS and WW systems on a stand-alone basis. These schedules  
9 illustrate how significant rate increase can occur as improvements are made to  
10 individual systems in the absence of rate consolidation. By consolidating rates for  
11 all systems, LRWC is able to spread the impact of system improvements and  
12 thereby avoid having to seek individual rate increases for each system. This  
13 greatly benefits customers and the Company by reducing the costs to serve  
14 customers.

15  
16 In the event that the NHPUC does not approve incorporating DS & WW into the  
17 consolidated rates, then there are supporting schedules for LRWC (w/o DS &  
18 WW) and DS & WW. Please note that the description of certain schedules and  
19 adjustments are the same or similar throughout the four sets of schedules

20  
21 **TOTAL COMPANY**

22  
23 Q. Then, would you please summarize the Total Company schedules?

24  
25 A. Yes. The schedule entitled “Computation of Revenue Deficiency for the Test  
26 Year ended December 31, 2019,” summarizes the supporting schedules. The  
27 actual revenue deficiency for the Total Company for the test year amounts to  
28 \$85,520. It is based upon an actual test year with a 13 month average rate base of  
29 \$3,771,357 as summarized in Schedule 3, column o. Total Company’s allowed  
30 rate of return, adjusted for changes in the capital structure and costs rates is 8.69%  
31 for the actual test year. The rate of return of 8.69%, when multiplied by the rate  
32 base of \$3,771,357, results in an operating income requirement of \$327,545. As  
33 shown on Schedule 1, column b, line 19, the actual net operating income for the  
34 Company for the test year was \$242,025. The operating income required, less the  
35 net operating income, results in an operating income deficiency of \$85,520.

36  
37 The proforma revenue deficiency for the Total Company for the test year amounts  
38 to zero. It is based upon a proformed test year rate base of \$4,132,015, as  
39 summarized in Schedule 3, column q. The Company is utilizing a proformed rate  
40 of return of 8.79% for the proformed test year. The proformed rate of return of  
41 8.79% when multiplied by the rate base of \$4,132,015, results in an operating net  
42 income requirement of \$363,262. As shown on Schedule 1, column d, line 19 the  
43 proformed net operating income for the Company for the test year is \$363,262.  
44 The operating income required, less the net operating income, results in a  
45 deficiency of zero.

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6  
7 Q. Would you please explain Schedule 1 and supporting schedules?

8  
9 A. Schedule 1 reflects the Company’s Operating Income Statement. Column b  
10 shows the actual test year results for the Company (as reported to the PUC in its  
11 2019 PUC Annual Report). Column c shows the proforma adjustments for known  
12 and measurable changes to test year revenues and expenses. The proforma  
13 adjustments are further supported by schedule 1A – 1E. Column d shows the  
14 proforma test year results. Column e and Column f are actual results for 2018 and  
15 2017, respectively.

16  
17 During the twelve months ended December 31, 2019, the actual Total Operating  
18 Revenues amounted to \$1,563,690, a decrease of \$38,458 over 2018. The  
19 decrease is due to lower Other Water Revenues and lower POASI revenues. The  
20 lower Other Water Revenues are due to lower rate case surcharge revenues and a  
21 PUC order reduction in revenues due tax savings refund in DW 18-056. The  
22 lower POASI revenues are due lower water consumption. The lower revenues are  
23 offset by higher Water Sales Revenues due to higher consumption and more  
24 customers.

25  
26 Total Company’s total operating expenses amounted to \$1,321,665, a decrease of  
27 \$20,682 over 2018. The decrease in total operating expenses was due to  
28 decreases in income taxes and depreciation expenses, offset by an increase  
29 operating and maintenance expenses, primarily transmission and distribution  
30 expenses. The 2019 Total Company Net Operating Income amounted to  
31 \$242,025. Net Income for 2018 was \$259,801.

32  
33 The Company has made 5 proforma adjustments to operating revenues  
34 totaling \$278,865. The specific proforma adjustments are identified on the  
35 operating revenues schedule (Schedule 1A). A brief explanation is as follows:

36  
37 Proforma Adjustment to Revenues

38  
39 1. Sales of Water – Special Contract - Property Owners Association at  
40 Swissevale, Inc. (“POASI”) – (\$17,747).

41  
42 The Company has a water supply agreement with POASI. The Agreement  
43 allows the Company to adjust the amount charged to POASI based on its actual  
44 costs to provide service to them. In 2019, the Company recorded revenues of  
45 \$228,515. In 2020, after adjusting the amount for 2019 actual costs, the Company  
46 anticipates revenues of \$210,768, a decrease of \$17,747. While the Company

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7 anticipates a decrease in revenues from the POASI agreement, such revenues will  
8 be offset by a like amount of increased revenues from other customers.  
9

10 2. Sales of Water – Amount Necessary to Earn Return and Cover Operating  
11 Costs - \$260,172.  
12

13 The Company has increased test year revenues for the proposed amount of  
14 revenues necessary to cover its expenses and allow it to earn its proposed rate of  
15 return.  
16

17 Total Proforma Adjustment to Water Sales is \$242,425.  
18

19 3. Rate Case Surcharge – (\$32,980).  
20

21 The Company is reducing test revenue by the amount of revenue  
22 associated with the recovery of approved rate case expenditures. Please note that  
23 there is also a reduction in test year expenses by the amount of regulatory  
24 expenses associated with the recovery of approved rate case expenditures.  
25

26 4. DW 18-056 Tax Savings Refund - \$42,707.  
27

28 The Company is increasing test revenues for the elimination of the DW  
29 18-056 tax savings refund. As indicated earlier, at no point in time did LRWC  
30 exceed its rate of return even with the lower federal corporate tax rate. As such,  
31 the lower federal taxes were offset by other higher expenses. Since the Company  
32 did not exceed its authorized rate of return, its revenues should not be reduce by  
33 the supposed tax savings.  
34

35 5. Revenue from Contract Work - \$26,713.  
36

37 The Company credits revenue from contract work to PUC account 415,  
38 Revenues from ... Contract Work. Since account 415 is reflected in Other  
39 Income and Expenses, the Company is reclassifying the revenues to Other Water  
40 Revenues. The expenses associated with such contract work are reflected in test  
41 year expenses.  
42

43 The Total Proforma Adjustments to Other Water Revnues amounts to  
44 \$36,440. Total Proforma Adjustments to Operating Revenue amounts to  
45 \$278,865.  
46

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6  
7 The Company has made 21 proforma adjustments to operating expenses  
8 totaling \$157,628. The specific proforma adjustments are identified on the  
9 operating expenses schedule (Schedule 1B). A brief explanation is as follows:

10  
11 Proforma Adjustments to Expense

12  
13 1. Operating and Maintenance Expenses - Wages – \$51,464.

14  
15 During the test year, 3 employees left and 3 new employees joined the  
16 Company. LRWC removed wages associated with inactive employees and  
17 adjusted wages for new employees to reflect 52 weeks. The Company provided  
18 employees with a 3% cost of living increase on 7/1/20. The Company anticipates  
19 providing a 3% cost of living increase on 7/1/21. Also, in 2020, the Company  
20 began providing a \$25.00 a day stipend for each day employees are on call.

21  
22 2. Operating and Maintenance Expenses - Benefits – \$16,566.

23  
24 Benefits include health, dental, retirement and HRA. Total benefits  
25 incurred and reflected in test year amount to \$53,854. With the change in  
26 employees, there are changes in benefit costs amounting to an increase of  
27 \$16,566.

28  
29 3 - 6. Operating and Maintenance Expense – Treatment Expenses (\$8,035),  
30 T&D Expenses (\$9,515), Customer Accounts Expenses (\$9,155) and A&G  
31 Expenses \$12,534.

32  
33 When reviewing test year expenses, certain expenses were significantly  
34 different as compared to 2018. As such, the Company is proposing a 2 year  
35 average of such expenses. Treatment expenses can vary from year to year,  
36 particularly with respect to certain water tests that are scheduled at 2, 3 & 5 year  
37 intervals. T&D expenses can also vary from year to year, particularly as it  
38 pertains to mains and services breaks. Bad debt expenses can also vary. A&G  
39 expenses, particularly outside services, can vary as well. The Company is  
40 proposing a 2 year average to smooth out the variations and to end up at an  
41 amount likely to represent an appropriate amount going forward. See Sch 1C for  
42 the 2019, 2018 and 2 year average amounts.

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6  
7 7. Operating and Maintenance – Regulatory Commission – (\$26,339).

8  
9 The Company is reducing test expenses by the amount of regulatory  
10 commission expenses associated with the recovery of approved rate case  
11 expenditures. Please note that there is also a reduction in test year revenues by  
12 the amount of rate case expenditure surcharge revenue.

13  
14 8. Operating and Maintenance – Regulatory Commission – \$16,259.

15  
16 In recent years, the Company has deferred various expenditures, mostly  
17 associated with certain regulatory proceedings, except for the West Point (“WP”)  
18 dry well. See Sch 3B for account titles, descriptions and amounts. The total  
19 miscellaneous deferred debits amounts total \$93,731. For those costs associated  
20 with specific proceedings (DW 15-209 Step 2 - \$2,145, IR 19-005 ROE Petition -  
21 \$50,835, DW 18-056 Tax Act - \$18,526 and DW 16-619 Step Increase - \$5,644)  
22 amounting to \$77,150, the Company is proposing to amortize and recover such  
23 costs over a 5 year period. The annual amortization amounts to \$15,430 (\$77,150  
24 / 5). Arguably, some of these costs can/should be recovered as part of rate case  
25 expenditures, but the Company decided to exclude such costs from this  
26 proceeding’s rate case costs and to recover such costs over a longer period of time  
27 to lessen the impact on customers. In 2014 NHDES found that “it appears that the  
28 water is not capable of meeting the peak water demands of the system due to very  
29 low yielding wells.” As such, the Company was looking for a new source of  
30 supply for its WP customers. Unfortunately, the Company was not successful.  
31 As such, the Company is proposing to recover such expenditures over a 20 year  
32 period, resulting in an annual amortization of \$829 (\$16,581 / 20). Again, see Sch  
33 3B.

34  
35 9. PUC Audit Costs - \$1,667.

36  
37 The Company anticipates that the PUC audit staff will audit the  
38 Company’s test year and its test year revenues, expenses, plant, debt, etc.  
39 The Company estimated that the Company will incur approximately \$5,000 in  
40 expenses not reflected in the test year. The Company proposes to defer and  
41 charge such expenses to outside services.

42  
43 Total Proforma Adjustments to O&M Expenses are \$45,446.  
44  
45  
46

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7 10. Depreciation Expense – 2019 Additions to Plant - \$2,527.  
8

9 In 2016 and 2017 the Company incurred \$35,876 of acquisition costs  
10 associated with the purchase of DS in NHPUC DW 16-619. As part of the  
11 Settlement Agreement in NHPUC DW 19-177, the Settling Parties agreed that the  
12 NHPUC “Staff will examine and evaluate, in the context of the impending rate  
13 case, the costs incurred relative to the original acquisition and financing of DS  
14 ...”

15 Similarly, in 2017 and 2018, the Company incurred \$14,664 of acquisition  
16 costs associated with the purchase of WW in NHPUC DW 17-176. The Company  
17 is proposing to recover such DS and WW costs over 20 years, resulting in an  
18 annual amortization of \$2,527. See Sch 3C.  
19

20 11. Depreciation Expense – 2019 Additions to Plant - \$12,510.  
21

22 The Company is proposing to include the additional half year depreciation  
23 on the 2019 additions to plant. In 2019 the Company placed in service \$161,340  
24 of plant. None of the assets placed in service were revenue producing assets.  
25 During 2019 the Company recorded \$9,798 of depreciation expenses. The annual  
26 depreciation expenses on the 2019 plant amount to \$22,308, resulting in an  
27 additional \$12,510 needed. See Sch. 3D.  
28

29 12. Depreciation Expense – 2019 Retirements to Plant – (\$1,172).  
30

31 In 2019 the Company retired from plant \$114,627. Certain retired assets  
32 were not fully depreciated, resulting in \$1,172 of depreciation during the test year.  
33 With the retirement of the assets, no such depreciation will take place. As such,  
34 the Company is proposing to eliminate \$1,172 of depreciation expenses from test  
35 year expenses. See Sch. 3E.  
36

37 13. Depreciation Expense – 2020 Additions to Plant - \$12,010.  
38

39 The Company is proposing to include the annual depreciation expense  
40 associated with the 1/1 – 9/30/20 additions to plant. As of 9/30/20, the Company  
41 has placed \$191,548 into service. None of the assets placed in service were  
42 revenue producing assets. The annual depreciation expenses on the 9/30/20 plant  
43 amount to \$12,010. See Sch. 3F. At an appropriate time during the proceeding,  
44 the Company will update the 2020 addition to plant as of 12/31/20.  
45  
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7 14. Depreciation Expense – 2020 Retirements to Plant – (\$668).

8  
9 In 2020 the Company retired from plant \$26,741. Certain retired assets  
10 were not fully depreciated, resulting in \$668 of depreciation during the test year.  
11 With the retirement of the assets, no such depreciation will take place. As such,  
12 the Company is proposing to eliminate \$668 of depreciation expenses from test  
13 year expenses. See Sch. 3G.

14  
15 15. Depreciation Expense – 2021 Additions to Plant - \$13,874.

16  
17 In 2021 the Company anticipates placing into service \$418,000 of plant  
18 associated with main replacement projects at Paradise Shores and pump station  
19 replacement at WW. None of the assets placed in service were revenue producing  
20 assets. The annual depreciation expenses on the 2021 plant amount to \$13,874.  
21 See Sch. 3H.

22  
23 16. Depreciation Expense – 2021 Retirements to Plant – (\$...).

24  
25 In 2021 the Company anticipates that certain plant will be retired. The  
26 Company has yet to determine what plant and the related original costs. At an  
27 appropriate time during the proceeding, the Company will update the 2021  
28 retirements to plant and any related depreciation. See Sch. 3I.

29  
30 Total Proforma Adjustments to Depreciation Expenses are \$39,082.

31  
32 17. Taxes other than Income – State Utility Property Taxes - \$4,305.

33  
34 In 2019 the Company incurred \$27,276 in state utility property taxes.  
35 With the 2019, 2020 and 2021 additions to plant, the Company anticipates that the  
36 state utility property taxes will increase by \$488, \$1,150 and \$2,667, respectively.  
37 As such, the Company has prepared a proforma adjustment for \$4,305. See  
38 column (m) on Schedules 3D, 3F & 3H for the calculation.

39  
40 18. Taxes other than Income – Municipal Property Taxes - \$5,900.

41  
42 In 2019 the Company incurred \$49,036 in municipal property taxes. With  
43 the 2019, 2020 and 2021 additions to plant, the Company anticipates that the  
44 municipal utility property taxes will increase by \$580, \$1,913 and \$3,406,  
45 respectively. As such, the Company has prepared a proforma adjustment for  
46 \$5,900. See column (p) on Schedules 3D, 3F & 3H for the calculation.

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6  
7 19. Taxes other than Income - Payroll Taxes - \$6,052.

8  
9 In 2019 the Company incurred \$28,149 of payroll taxes. With the change  
10 in personnel and the proposed increases in wages (in expense proforma  
11 adjustments 1), there is also a related increase in the payroll taxes. With the  
12 proposed increase in net wages, the Company anticipates that its payroll taxes will  
13 amount to \$34,201. As such, the Company increased payroll taxes by the  
14 difference of \$6,052.

15  
16 20/21. Federal Income and State Business Taxes - \$56,843.

17  
18 With the proposed increase in revenue offset by the proposed increase in  
19 expenses, there is also a related increase in the federal income and state business  
20 taxes. The increase in federal income taxes represents the additional tax liability  
21 due to the increase in taxable income. The increase in state business taxes  
22 represents the additional tax liability due to the increase in gross profits. See Sch  
23 1D & 1E.

24  
25 The total proforma adjustments to Operating Expenses amounts to  
26 \$157,628.

27  
28 The net of the proforma adjustments to operating revenue \$278,865 and  
29 the proforma adjustments to operating expenses \$157,628 results in net proforma  
30 adjustment of \$122,840. When the net operating income associated with the  
31 proforma adjustments is added to net operating income from the test year, the  
32 proforma test year net operating income totals \$363,262. The proforma test year  
33 net operating income of \$363,262 allows the Company to cover its expenses and  
34 earn a 8.79% return on its investments.

35  
36 Q. Does that complete your description of the proforma adjustments to revenues and  
37 expenses?

38  
39 A. Yes.

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6  
7 Q. Are there additional schedules that support Schedule 1.

8  
9 A. Yes. Schedule 1C identifies certain operating expenses that were significantly  
10 different as compared to 2018. Schedule 1C further identifies the 2019, 2018 and  
11 2 year average amounts. The Company is proposing a 2 year average of such  
12 expenses. A review of other operating expenses seemed to indicate that such  
13 other expense are normal and reoccurring and appropriate for future years.

14  
15 Schedule 1D shows the income tax computation. The proforma total rate base  
16 amounts to \$4,132,015. See Schedule 3. The proforma weighted average cost  
17 rate for equity capital is 6.86% (See Schedule 4). When the proforma weighted  
18 average cost rate for equity capital of 6.86% is applied to the proforma total rate  
19 base, the proforma net operating income required amounts to \$283,584. When  
20 the tax multiplier of 37.14% is applied to the proforma net operating income  
21 required, it produces the total tax of \$105,329, which represents the amount of tax  
22 needed on the proforma net operating income required. The sum of the proforma  
23 net operating income required plus the total tax amount results in taxable income  
24 required before income taxes. The business profits tax at 7.70% amounts to  
25 \$29,946 and the federal income tax at 21% amounts to \$75,383.

26  
27 Schedule 1E shows effective tax factor including the federal and state corporate  
28 tax rates.

29  
30 Q. Please describe Schedule 2, the Balance Sheet.

31  
32 A. The Company has \$5,121,822 total assets at the end of 2019. \$4,592,112 of the  
33 \$5,121,822 total assets is net utility plant, most of which is completed and  
34 providing service to customers. In 2019 the Company added \$161,340 of plant in  
35 service, offset by \$114,627 of plant retired. Most significantly, it added \$97,880  
36 of general plant, which benefits all systems.

37  
38 The Company has \$2,971,220 of total equity capital. The Company had net  
39 income of \$220,050 in 2019, slightly less than net income in 2018. The Company  
40 has \$915,541 of long term debt. In 2019 the Company financed the purchase of a  
41 truck. The long term debt balance decreased by \$131,785 as compared to 2018.  
42 Accumulated deferred income taxes increased significantly by \$205,000 in  
43 2019 as compared to 2018.

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6  
7 Q. Please continue with an explanation of Schedule 3, Rate Base and the supporting  
8 schedule.

9  
10 A. Schedule 3 reflects the Company's Rate Base for both the actual 13 month  
11 average test year and the 2019 proforma test year. Columns b – n shows the  
12 actual month end balances. Column o shows the 13 months average balances.  
13 Column p shows the proforma adjustments. Column q shows the 2019 proforma  
14 balances. The balances are further supported by Schedules 3A – 3J.

15  
16 The rate base consists of Utility Plant in Service less Accumulated Depreciation,  
17 plus Plant Acquisition Adjustment less Accumulated Amortization of Utility Plant  
18 Acquisition Adjustment plus Material and Supplies and Miscellaneous Deferred  
19 Debits, less Deferred Taxes and less Contributions in Aid of Construction plus  
20 Accumulated Amortization of CIAC and Cash Working Capital.

21  
22 The Total 13 Month Average Rate Base and the 2019 Proforma Rate Base  
23 amounts to \$3,771,357 and \$4,132,015, respectively.

24  
25 Q. Would you please explain Schedule 3A, Rate Base Adjustments?

26  
27 A. Schedule 3A shows the various adjustments to rate base. As stated earlier in my  
28 testimony, the Company believes that all assets placed in service during the test  
29 year should be fully reflected in rate base and a full year's depreciation on such  
30 assets should be fully reflected in depreciation expense and accumulated  
31 depreciation. Likewise, the Company believes that other rate base items should  
32 be fully reflected in rates. As such, the Company has adjusted the Actual 13  
33 Month Average Balances to Year End Balances. The rate base items affected by  
34 the reflection of year end balances are (1) plant in service, (7) accumulated  
35 depreciation, (14) accumulated amortization of utility plant in service, (15)  
36 material and supplies, (16) miscellaneous deferred debits, (17) CIAC, (18) AA of  
37 CIAC, (18 - 21) accumulated deferred income taxes.

38  
39 In addition to the proforma adjustments to rate base for the year end balances, the  
40 Company made a number of other proforma adjustments as follows:

41  
42  
43  
44  
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7

2. Plant in Service – Acquisition Costs - \$50,540.

8

9

In 2016 and 2017 the Company incurred \$35,876 of acquisition costs associated with the purchase of DS in NHPUC DW 16-619. As part of the Settlement Agreement in NHPUC DW 19-177, the Settling Parties agreed that the NHPUC “Staff will examine and evaluate, in the context of the impending rate case, the costs incurred relative to the original acquisition and financing of DS ...”

10

11

12

13

14

15

Similarly, in 2017 and 2018, the Company incurred \$14,664 of acquisition costs associated with the purchase of WW in NHPUC DW 17-176. The Company is proposing to transfer the amounts out of account 186, miscellaneous deferred debits and into 301, organization costs. The Company is also proposing to recover such DS and WW costs over 20 years, resulting in an annual amortization of \$2,527. See Sch 3C.

16

17

18

19

20

21

22

3. Plant in Service – 9/30/20 Additions to Plant - \$191,548.

23

24

As of 9/30/20, the Company has placed \$191,548 into service. None of the assets placed in service were revenue producing assets. See Sch. 3F. The Company is proposing to add the 2020 addition to rate base. At an appropriate time during the proceeding, the Company will update the 2020 additions to plant as of 12/31/20.

25

26

27

28

29

30

4. Plant in Service – 9/30/20 Retirements to Plant – (\$26,741).

31

32

In 2020 the Company retired from plant \$26,741. See Sch. 3G. The Company is proposing to reduce the 9/30/20 addition from rate base. At an appropriate time during the proceeding, the Company will update the 2020 retirements to plant as of 12/31/20.

33

34

35

36

37

5. Plant in Service – 2021 Additions to Plant - \$418,000.

38

39

In 2021 the Company anticipates placing into service \$418,000 of plant associated with main replacement projects at Paradise Shores and pump station replacement at WW. None of the assets placed in service were revenue producing assets. See Sch. 3H. The Company is proposing to add the 2021 additions to rate base.

40

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6  
7 6. Plant in Service – 2021 Retirements to Plant – (\$...).

8  
9 In 2021 the Company anticipates that certain plant will be retired. The  
10 Company has yet to determine what plant and the related original costs. At an  
11 appropriate time during the proceeding, the Company will update the 2021  
12 retirements to plant and any related depreciation. See Sch. 3I.

13  
14 8. Accumulated Depreciation – Half year depreciation of organization costs  
15 – (\$1,264).

16  
17 In 2016 and 2017 the Company incurred \$35,876 of acquisition costs  
18 associated with the purchase of DS in NHPUC DW 16-619. Similarly, in 2017  
19 and 2018, the Company incurred \$14,664 of acquisition costs associated with the  
20 purchase of WW in NHPUC DW 17-176. The Company is proposing to ½  
21 accumulated amortization of the organization costs. See Sch 3C.

22  
23 9. Accumulated Depreciation – Additional half year depreciation on 2019  
24 additions – (\$12,510).

25  
26 The Company is proposing to include the additional half year depreciation  
27 on the 2019 additions to plant. During 2019 the Company recorded \$9,798 of  
28 depreciation expenses. The annual depreciation expenses on the 2019 plant  
29 amount to \$22,308, resulting in an additional \$12,510 needed. See Sch. 3D.

30  
31 10. Accumulated Depreciation – Annual Depreciation on 9/30/20 additions –  
32 (\$12,010).

33  
34 The Company is proposing to include the annual depreciation expense  
35 associated with the 1/1 – 9/30/20 additions to plant. The annual depreciation  
36 expenses on the 9/30/20 plant amount to \$12,010. See Sch. 3F. At an appropriate  
37 time during the proceeding, the Company will update the 2020 addition to plant as  
38 of 12/31/20.

39  
40 11. Accumulated Depreciation – 2020 Retirements to Plant – \$26,741.

41  
42 In 2020 the Company retired from plant \$26,741. As such, the Company  
43 is proposing to reduce A/D by \$26,741. See Sch. 3G.

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7 12. Accumulated Depreciation – 2021 Additions to Plant - \$13,874.  
8

9 In 2021 the Company anticipates placing into service \$418,000 of plant  
10 associated with main replacement projects at Paradise Shores and pump station  
11 replacement at WW. The annual depreciation expenses on the 2021 plant amount  
12 to \$13,874. See Sch. 3H.  
13

14 13. Accumulated Depreciation – 2021 Retirements to Plant – (\$...).

15  
16 In 2021 the Company anticipates that certain plant will be retired. The  
17 Company has yet to determine what plant and the related original costs. At an  
18 appropriate time during the proceeding, the Company will update the 2021  
19 retirements to plant and any related depreciation. See Sch. 3I.  
20

21 22. Cash Working Capital - \$8,318.  
22

23 The Company adjusted cash working capital for the proforma increase in  
24 operating and maintenance expenses. See Sch 3J. Schedule 3J shows the  
25 computation of cash working capital for 2019 proforma amount and 2019, 2018  
26 and 2017 actual amounts. The proforma cash working capital is based on the  
27 proforma test year operation and maintenance expenses.  
28

29 Q. Please explain Schedule 3B.  
30

31 A. Schedule 3B shows account title, description and amounts. In recent years, the  
32 Company has deferred various expenditures, mostly associated with certain  
33 regulatory proceedings, except for the West Point (“WP”) dry well. The total  
34 miscellaneous deferred debits amounts total \$93,731. For those costs associated  
35 with specific proceedings (DW 15-209 Step 2 - \$2,145, IR 19-005 ROE Petition -  
36 \$50,835, DW 18-056 Tax Act - \$18,526 and DW 16-619 Step Increase - \$5,644)  
37 amounting to \$77,150, the Company is proposing to add such amount to rate base  
38 and amortize and recover such costs over a 5 year period. Arguably, some of  
39 these costs can/should be recovered as part of rate case expenditures, but the  
40 Company decided to exclude such costs from this proceeding’s rate case costs and  
41 to recover such costs over a longer period of time to lessen the impact on  
42 customers. In 2012 the Company was looking for a new source of supply for WP  
43  
44  
45  
46

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7 customers. Unfortunately, the Company was not successful. As such, the  
8 Company is proposing to add such amounts to rate base and recover such  
9 expenditures over a 20 year period.

10  
11 Q. Please explain Schedule 3C.

12  
13 A. Schedule 3C shows account number, description and amounts. In 2016 and 2017  
14 the Company incurred \$35,876 of acquisition costs associated with the purchase  
15 of DS in NHPUC DW 16-619. Similarly, in 2017 and 2018, the Company  
16 incurred \$14,664 of acquisition costs associated with the purchase of WW in  
17 NHPUC DW 17-176. The Company is proposing to transfer the expenditures  
18 from PUC account 186 to PUC account 301.  
19

20 Q. Please explain Schedules 3D & 3E.

21  
22 A. Schedule 3D shows LRWC division numbers, names, PUC account numbers,  
23 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
24 tax amounts (m & p). In total, it shows 2019 additions to plant amounting to  
25 \$161,340 and the related depreciation and property taxes.  
26

27 Schedule 3E shows PUC account numbers and descriptions, plant costs and  
28 related depreciation. In total, it shows 2019 retirements to plant amounting to  
29 \$114,627 and the related depreciation.  
30

31 Q. Please explain Schedules 3F & 3G.

32  
33 A. Schedule 3F shows LRWC division numbers, names, PUC account numbers,  
34 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
35 tax amounts (m & p). In total, it shows 2020 additions to plant as of 9/30/20  
36 amounting to \$191,548 and the related depreciation and property taxes.  
37

38 Schedule 3G shows PUC account numbers and descriptions, plant costs and  
39 related depreciation. In total, it shows 2020 retirements to plant as of 9/30/20  
40 amounting to \$26,741 and the related depreciation.  
41  
42  
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46

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6  
7 Q. Please explain Schedules 3H & 3I.

8  
9 A. Schedule 3H shows LRWC division numbers, names, PUC account numbers,  
10 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
11 tax amounts (m & p). In total, it shows projected 2021 additions to plant  
12 amounting to \$418,000 and the related depreciation and property taxes.  
13 As indicated earlier, in 2021 the Company anticipates that certain plant will be  
14 retired. The Company has yet to determine what plant and the related original  
15 costs. At an appropriate time during the proceeding, the Company will update the  
16 2021 retirements to plant and any related depreciation.

17  
18 Q. Please explain Schedules 3J.

19  
20 A. Schedule 3J shows the computation of cash working capital for 2019 proforma  
21 amount and 2019, 2018 and 2017 actual amounts. The proforma cash working  
22 capital is based on the proforma test year operation and maintenance expenses.

23  
24 Q. Would you please explain Schedule 4, Rate of Return Information?

25  
26 A. Schedule 4 reflects the overall rate of return for both the actual test year and the  
27 proforma test year. The weighted average rate of return for the actual test year is  
28 8.69%. It was developed by taking the actual component ratios times the actual  
29 component cost rates to determine the actual weighted average cost rate. The sum  
30 of the actual cost rates for equity and debt equals actual weighted average rate of  
31 return. The weighted average rate of return for the proforma test year is 8.79%.  
32 It was developed by taking the proforma component ratios times the proforma  
33 component cost rates to determine the proforma weighted average cost rate. The  
34 sum of the proforma cost rates for equity and debt equals the proforma weighted  
35 average rate of return.

36  
37 Schedule 4 also reflects both the capital structure and the capital ratios. The  
38 Company has provided the capital structure for the actual test year and the  
39 proforma test year. It has also provided the actual capital structure for 2018 and  
40 2017. The Company is utilizing the Commission determined cost of common  
41 equity of 9.69% plus .50% for rate case expense savings adder and .25%  
42 exemplary performance adder, resulting in a cost of equity of 10.44%. These  
43 adjustments to the cost of equity are based on the Commission's recent proposed  
44 rules governing the cost of equity for small water systems in Docket No. IR 19-  
45 005. See Mr. Mason testimony for an explanation of exemplary performance.

46

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6  
7 Schedule 4A reflects the long term debt, interest expense, financing costs, total  
8 debt costs and debt costs rates for the actual test year. At 12/31/19 the Company  
9 has \$915,541 of outstanding long term debt with related interest of \$50,392 and a  
10 cost of debt of 5.72%.

11  
12 Schedule 4B reflects the long term debt, interest expense, financing costs, total  
13 debt costs and debt costs rates for the proforma test year. The proforma  
14 outstanding balance is \$1,548,541 of outstanding long term debt. The increase in  
15 the outstanding balance is due to the addition of the proposed financing with  
16 CoBank for \$633,000. The proforma interest expense related to the debt is  
17 \$87,155. The increase in the interest expense is primarily additional interest  
18 associated with the CoBank loans. The 2019 proforma cost of debt is 5.63%.

19  
20 Q. Please explain the Report of Proposed Rate Changes for Total Company.

21  
22 A. If the Company filing is approved as submitted, its total water Operating  
23 Revenues will amount to \$1,844,158. The Total Sales of Water amounts to  
24 \$1,793,910 of which \$1,583,142 comes from the Company's 1,812 unmetered  
25 and metered customers.

26  
27 Q. Is the Company proposing any changes to the methodology used in calculating the  
28 rates?

29  
30 A. No. The Company is generally using the same methodology. It is applying the  
31 rate increase to the various components of rates.

32  
33 Q. When is the Company proposing that the new rates be effective?

34  
35 A. The Company is proposing that the new rates be effective February 15, 2021.

36  
37 Q. Is there anything that you would like to discuss?

38  
39 A. No.

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6  
7 **LRWC (w/o DS & WW)**

8  
9 Q Then, would you please summarize the LRWC schedules?

10  
11 A Yes. The schedule entitled “Computation of Revenue Deficiency for the Test  
12 Year ended December 31, 2019,” summarizes the supporting schedules. The  
13 actual revenue deficiency for LRWC for the test year amounts to \$27,965. It is  
14 based upon an actual test year with a 13 month average rate base of \$3,405,499 as  
15 summarized in Schedule 3, column o. LRWC’s actual rate of return is 8.69% for  
16 the actual test year. The rate of return of 8.69%, when multiplied by the rate base  
17 of \$3,405,499, results in an operating income requirement of \$295,771. As  
18 shown on Schedule 1, column b, line 21, the actual net operating income for  
19 LRWC for the test year was \$267,806. The operating income required, less the  
20 net operating income, results in an operating income deficiency before taxes of  
21 \$27,965. LRWC did not calculate the tax effect of the revenue deficiency,  
22 resulting in a revenue deficiency for LRWC of \$27,965.

23  
24 The proforma revenue deficiency for the LRWC for the test year amounts to zero.  
25 It is based upon a proformed test year rate base of \$3,469,323, as summarized in  
26 Schedule 3, column q. LRWC is utilizing a proformed rate of return of 8.79% for  
27 the proformed test year. The proformed rate of return of 8.79% when multiplied  
28 by the rate base of \$3,469,323, results in an operating net income requirement of  
29 \$305,002. As shown on Schedule 1, column d, line 21 the proformed net  
30 operating income for LRWC for the test year is \$305,002. The operating income  
31 required, less the net operating income, results in a deficiency of zero. The tax  
32 effect of the deficiency is zero, resulting in a revenue deficiency for LRWC of  
33 zero.

34  
35 Q. Would you please explain LRWC Schedule 1 and supporting schedules?

36  
37 A Schedule 1 reflects LRWC’s Operating Income Statement. Column b shows the  
38 actual test year results for LRWC Column c shows the proforma adjustments for  
39 known and measurable changes to test year revenues and expenses. The proforma  
40 adjustments are further supported by schedule 1A – 1E. Column d shows the  
41 proforma test year results. Column e and Column f are actual results for 2018 and  
42 2017, respectively.

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7 During the twelve months ended December 31, 2019, the actual Total Operating  
8 Revenues amounted to \$1,498,843, a decrease of \$103,305 over 2018. The  
9 decrease is due to lower Other Water Revenues and lower POASI revenues. The  
10 lower Other Water Revenues are due to lower rate case surcharge revenues and a  
11 PUC ordered reduction in revenues due tax savings refund in DW 18-056. The  
12 lower POASI revenues are due to lower water consumption. The lower revenues  
13 are offset by higher Water Sales Revenues due to higher consumption and more  
14 customers.

15  
16 LRWC’s total operating expenses amounted to \$1,231,037, a decrease of  
17 \$111,310 over 2018. The decrease in total operating expenses was due to  
18 decreases in income taxes and depreciation expenses, offset by an increase  
19 operating and maintenance expenses, primarily transmission and distribution  
20 expenses. The 2019 LRWC Net Operating Income amounted to \$267,806.  
21 LRWC’s Net Income for 2018 was \$259,801.  
22

23 The Company has made 5 proforma adjustments to operating revenues  
24 totaling \$162,003. The specific proforma adjustments are identified on the  
25 operating revenues schedule (Schedule 1A). A brief explanation is as follows:  
26

27 Proforma Adjustment to Revenues

28  
29 1. Sales of Water – Special Contract - Property Owners Association at  
30 Swissevale, Inc. (“POASI”) – (\$17,747).  
31

32 The Company has a water supply agreement with POASI. The Agreement  
33 allows the Company to adjust the amount charged to POASI based on its actual  
34 costs to provide service to them. In 2019, the Company recorded revenues of  
35 \$228,515. In 2020, after adjusting the amount for 2019 actual costs, the Company  
36 anticipates revenues of \$210,768, a decrease of \$17,747. While the Company  
37 anticipates a decrease in revenues from the POASI agreement, such revenues will  
38 be offset by a like amount of increased revenues from other customers.  
39

40 2. Sales of Water – Amount Necessary to Earn Return and Cover Operating  
41 Costs - \$144,913.  
42

43 The Company has increased test revenues for the proposed amount of  
44 revenues necessary to cover its expenses and allow it to earn its proposed rate of  
45 return.  
46

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7

Total Proforma Adjustment to Water Sales is \$127,166.

8

9

3. Rate Case Surcharge – (\$32,980).

10

11

The Company is reducing test revenue by the amount of revenue associated with the recovery of approved rate case expenditures. Please note that there is also a reduction in test year expenses by the amount of regulatory expenses associated with the recovery of approved rate case expenditures.

12

13

14

15

16

4. DW 18-056 Tax Savings Refund - \$42,707.

17

18

The Company is increasing test revenues for the elimination of the DW 18-056 tax savings refund. As indicated earlier, at no point in time did LRWC exceed its rate of return even with the lower federal corporate tax rate. As such, the lower federal taxes were offset by other higher expenses. Since the Company did not exceed its authorized rate of return, its revenues should not be reduced by the supposed tax savings.

19

20

21

22

23

24

25

5. Revenue from Contract Work - \$25,110.

26

27

The Company credits revenue from contract work to PUC account 415, Revenues from ... Contract Work. Since account 415 is reflected in Other Income and Expenses, the Company is reclassifying the revenues to Other Water Revenues. The expenses associated with such contract work are reflected in test year expenses.

28

29

30

31

32

33

The Total Proforma Adjustments to Other Water Revenues amounts to \$34,837. Total Proforma Adjustments to Operating Revenue amounts to \$162,003.

34

35

36

37

The Company has made 21 proforma adjustments to operating expenses totaling \$124,807. The specific proforma adjustments are identified on the operating expenses schedule (Schedule 1B). A brief explanation is as follows:

38

39

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7

Proforma Adjustments to Expense

8

9

1. Operating and Maintenance Expenses - Wages – \$51,464.

10

11

During the test year, 3 employees left and 3 new employees joined the Company. LRWC removed wages associated with inactive employees and adjusted wages for new employees to reflect 52 weeks. The Company provided employees with a 3% cost of living increase on 7/1/20. The Company anticipates providing a 3% cost of living increase on 7/1/21. Also, in 2020, the Company began providing a \$25.00 a day stipend for each day employees are on call.

17

18

2. Operating and Maintenance Expenses - Benefits – \$16,566.

19

20

Benefits include health, dental, retirement and HRA. Total benefits incurred and reflected in test year amount to \$53,854. With the change in employees, there are changes in benefit costs amounting to an increase of \$16,566.

24

25

- 3 - 6. Operating and Maintenance Expense – Treatment Expenses (\$4,901), T&D Expenses (\$9,089), Customer Accounts Expenses (\$9,082) and A&G Expenses \$11,741.

28

29

When reviewing test year expenses, certain expenses were significantly different as compared to 2018. As such, LRWC is proposing a 2 year average of such expenses. Treatment expenses can vary from year to year, particularly with respect to certain water test that are schedule at 2, 3 & 5 year intervals. T&D expenses can also vary from year to years, particularly as it pertains to mains and services breaks. Bad debt expense can also vary. A&G expenses, particularly outside services, can vary as well. LRWC is proposing a 2 year average to smooth out the variations and to end up at an amount likely to represent an appropriate amount going forward. See Sch 1C for the 2019, 2018 and 2 year average amounts.

38

39

7. Operating and Maintenance – Regulatory Commission – (\$26,339).

41

42

LRWC is reducing test expenses by the amount of regulatory commission expenses associated with the recovery of approved rate case expenditures. Please note that there is also a reduction in test year revenues by the amount of rate case expenditure surcharge revenue.

43

44

45

46

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6  
7 8. Operating and Maintenance – Regulatory Commission – \$15,130.

8  
9 In recent years, LRWC has deferred various expenditures, mostly  
10 associated with certain regulatory proceedings, except for the West Point (“WP”)  
11 dry well. See Sch 3B for account titles, descriptions and amounts. The total  
12 miscellaneous deferred debits amounts total \$88,087. For those costs associated  
13 with specific proceedings (DW 15-209 Step 2 - \$2,145, IR 19-005 ROE Petition -  
14 \$50,835 and DW 18-056 Tax Act - \$18,526 amounting to \$71,506, LRWC is  
15 proposing to amortize and recover such costs over a 5 year period. The annual  
16 amortization amounts to \$14,301 ( $\$71,506 / 5$ ). Arguably, some of these costs  
17 can/should be recovered as part of rate case expenditures, but LRWC decided to  
18 exclude such costs from this proceeding’s rate case costs and to recover such  
19 costs over a longer period of time to lessen the impact on customers. In 2014  
20 NHDES found that “it appears that the water is not capable of meeting the peak  
21 water demands of the system due to very low yielding wells.” As such, the  
22 Company was looking for a new source of supply for its WP customers.  
23 Unfortunately, LRWC was not successful. As such, LRWC is proposing to  
24 recover such expenditures over a 20 year period, resulting in an annual  
25 amortization of \$829 ( $\$16,581 / 20$ ). Again, see Sch 3B.

26  
27 9. PUC Audit Costs - \$1,667.

28  
29 LRWC anticipates that the PUC audit staff will audit the LRWC’s test  
30 year and its test year revenues, expenses, plant, debt, etc. LRWC estimated that  
31 LRWC will incur approximately \$5,000 in expenses not reflected in the test year.  
32 LRWC proposes to defer and charge such expenses to outside services.

33  
34 Total Proforma Adjustments to O&M Expenses are \$47,158.

35  
36 10. Depreciation Expense – 2019 Additions to Plant - \$0.

37  
38 11. Depreciation Expense – 2019 Additions to Plant - \$12,510.

39  
40 LRWC is proposing to include the additional half year depreciation on the  
41 2019 additions to plant. In 2019 LRWC placed in service \$161,340 of plant.  
42 None of the assets placed in service were revenue producing assets. During 2019  
43 LRWC recorded \$9,798 of depreciation expenses. The annual depreciation  
44 expenses on the 2019 plant amount to \$22,308, resulting in an additional \$12,510  
45 needed. See Sch. 3D.

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7 12. Depreciation Expense – 2019 Retirements to Plant – (\$1,172).

8  
9 In 2019 LRWC retired from plant \$114,627. Certain retired assets were  
10 not fully depreciated, resulting in \$1,172 of depreciation during the test year.  
11 With the retirement of the assets, no such depreciation will take place. As such,  
12 LRWC is proposing to eliminate \$1,172 of depreciation expenses from test year  
13 expenses. See Sch. 3E.  
14

15 13. Depreciation Expense – 2020 Additions to Plant - \$11,794.

16  
17 LRWC is proposing to include the annual depreciation expense associated  
18 with the 1/1 – 9/30/20 additions to plant. As of 9/30/20, LRWC has placed  
19 \$189,387 into service. None of the assets placed in service were revenue  
20 producing assets. The annual depreciation expenses on the 9/30/20 plant amount  
21 to \$11,794. See Sch. 3F. At an appropriate time during the proceeding, LRWC  
22 will update the 2020 addition to plant as of 12/31/20.  
23

24 14. Depreciation Expense – 2020 Retirements to Plant – (\$668).

25  
26 In 2020 LRWC retired from plant \$26,741. Certain retired assets were not  
27 fully depreciated, resulting in \$668 of depreciation during the test year. With the  
28 retirement of the assets, no such depreciation will take place. As such, LRWC is  
29 proposing to eliminate \$668 of depreciation expenses from test year expenses.  
30 See Sch. 3G.  
31

32 15. Depreciation Expense – 2021 Additions to Plant - \$3,235.

33  
34 In 2021 LRWC anticipates placing into service \$158,000 of plant  
35 associated with main replacement projects at Paradise Shores. None of the assets  
36 placed in service were revenue producing assets. The annual depreciation  
37 expenses on the 2021 plant amount to \$13,874. See Sch. 3H.  
38

39 16. Depreciation Expense – 2021 Retirements to Plant – (\$...).

40  
41 In 2021 LRWC anticipates that certain plant will be retired. LRWC has  
42 yet to determine what plant and the related original costs. At an appropriate time  
43 during the proceeding, LRWC will update the 2021 retirements to plant and any  
44 related depreciation. See Sch. 3I.  
45

46 Total Proforma Adjustments to Depreciation Expenses are \$25,699.

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6  
7 17. Taxes other than Income – State Utility Property Taxes - \$2,646.

8  
9 In 2019 LRWC incurred \$27,276 in state utility property taxes. With the  
10 2019, 2020 and 2021 additions to plant, LRWC anticipates that the state utility  
11 property taxes will increase by \$488, \$1,137 and \$1,021, respectively. As such,  
12 LRWC has prepared a proforma adjustment for \$2,646. See column (m) on  
13 Schedules 3D, 3F & 3H for the calculation.

14  
15 18. Taxes other than Income – Municipal Property Taxes - \$3,301.

16  
17 In 2019 LRWC incurred \$49,036 in municipal property taxes. With the  
18 2019, 2020 and 2021 additions to plant, LRWC anticipates that the state utility  
19 property taxes will increase by \$580, \$1,893 and \$828, respectively. As such,  
20 LRWC has prepared a proforma adjustment for \$5,900. See column (p) on  
21 Schedules 3D, 3F & 3H for the calculation.

22  
23 19. Taxes other than Income - Payroll Taxes - \$6,052.

24  
25 In 2019 LRWC incurred \$28,149 of payroll taxes. With the change in  
26 personnel and the proposed increases in wages (in expense proforma adjustments  
27 1), there is also a related increase in the payroll taxes. With the proposed  
28 increase in net wages, LRWC anticipates that its payroll taxes will amount to  
29 \$34,201. As such, LRWC increased payroll taxes by the difference of \$6,052.

30  
31 20/21. Federal Income and State Business Taxes - \$39,951.

32  
33 With the proposed increase in revenue offset by the proposed increase in  
34 expenses, there is also a related increase in the federal income and state business  
35 taxes. The increase in federal income taxes represents the additional tax liability  
36 due to the increase in taxable income. The increase in state business taxes  
37 represents the additional tax liability due to the increase in gross profits. See Sch  
38 1D & 1E.

39  
40 The total proforma adjustments to Operating Expenses amounts to  
41 \$124,807.

42  
43 The net of the proforma adjustments to operating revenue \$162,003 and  
44 the proforma adjustments to operating expenses \$124,807 results in net proforma  
45 adjustment of \$37,196. When the net operating income associated with the  
46 proforma adjustments is added to net operating income from the test year, the

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6  
7 proforma test year net operating income totals \$305,002. The proforma test year  
8 net operating income of \$305,002 allows LRWC to cover its expenses and earn a  
9 8.79% return on its investments.

10  
11 Q. Does that complete your description of the proforma adjustments to revenues and  
12 expenses?

13  
14 A. Yes.

15  
16 Q. Are there additional schedules that support Schedule 1.

17  
18 A. Yes. Schedule 1C identifies certain operating expenses that were significantly  
19 different as compared to 2018. Schedule 1C further identifies the 2019, 2018 and  
20 2 year average amounts. LRWC is proposing a 2 year average of such expenses.  
21 A review of other operating expenses seemed to indicate that such other expenses  
22 are normal and reoccurring and appropriate for future years.

23  
24 Schedule 1D shows the income tax computation. The proforma total rate base  
25 amounts to \$3,469,323. See Schedule 3. The proforma weighted average cost  
26 rate for equity capital is 6.86% (See Schedule 4). When the proforma weighted  
27 average cost rate for equity capital of 6.86% is applied to the proforma total rate  
28 base, the proforma net operating income required amounts to \$238,103. When  
29 the tax multiplier of 37.14% is applied to the proforma net operating income  
30 required, it produces the total tax of \$88,437, which represents the amount of tax  
31 needed on the proforma net operating income required. The sum of the proforma  
32 net operating income required plus the total tax amount results in taxable income  
33 required before income taxes. The business profits tax at 7.70% amounts to  
34 \$25,144 and the federal income tax at 21% amounts to \$63,293.

35  
36 Schedule 1E shows effective tax factor including the federal and state corporate  
37 tax rates.

38  
39 Q Please continue with an explanation of Schedule 3, Rate Base and the supporting  
40 schedule.

41  
42 A. Schedule 3 reflects the LRWC's Rate Base for both the actual 13 month average  
43 test year and the 2019 proforma test year. Columns b – n shows the actual month  
44 end balances. Column o shows the 13 months average balances. Column p  
45 shows the proforma adjustments. Column q shows the 2019 proforma balances.  
46 The balances are further supported by Schedules 3A – 3J.

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6  
7 The rate base consists of Utility Plant in Service less Accumulated Depreciation,  
8 plus Plant Acquisition Adjustment less Accumulated Amortization of Utility Plant  
9 Acquisition Adjustment plus Material and Supplies and Miscellaneous Deferred  
10 Debits, less Deferred Taxes and less Contributions in Aid of Construction plus  
11 Accumulated Amortization of CIAC and Cash Working Capital.  
12

13 The Total 13 Month Average Rate Base and the 2019 Proforma Rate Base  
14 amounts to \$3,405,499 and \$3,469,323, respectively.  
15

16 Q. Would you please explain Schedule 3A, Rate Base Adjustments?  
17

18 A. Schedule 3A shows the various adjustments to rate base. As stated earlier in my  
19 testimony, LRWC believes that all assets placed in service during the test year  
20 should be fully reflected in rate base and a full year's depreciation on such assets  
21 should be fully reflected in depreciation expense and accumulated depreciation.  
22 Likewise, LRWC believes that other rate base items should be fully reflected in  
23 rates. As such, LRWC has adjusted the Actual 13 Month Average Balances to  
24 Year End Balances. The rate base items affected by the reflection of year end  
25 balances are (1) plant in service, (7) accumulated depreciation, (14) accumulated  
26 amortization of utility plant in service, (15) material and supplies, (16)  
27 miscellaneous deferred debits, (17) CIAC, (18) AA of CIAC, (18 - 21)  
28 accumulated deferred income taxes.  
29

30 In addition to the proforma adjustments to rate base for the year end balances,  
31 LRWC made a number of other proforma adjustments as follows:  
32

33 2. Plant in Service – Acquisition Costs - \$0.  
34

35 3. Plant in Service – 9/30/20 Additions to Plant - \$189,387.  
36

37 As of 9/30/20, LRWC has placed \$189,387 into service. None of the  
38 assets placed in service were revenue producing assets. See Sch. 3F. LRWC is  
39 proposing to add the 2020 addition to rate base. At an appropriate time during the  
40 proceeding, LRWC will update the 2020 additions to plant as of 12/31/20.  
41

42 4. Plant in Service – 9/30/20 Retirements to Plant – (\$26,741).  
43

44 In 2020 LRWC retired from plant \$26,741. See Sch. 3G. LRWC is  
45 proposing to reduce the 9/30/20 addition from rate base. At an appropriate time  
46 during the proceeding, LRWC will update the 2020 retirements to plant.

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6  
7 5. Plant in Service – 2021 Additions to Plant - \$158,000.

8  
9 In 2021 LRWC anticipates placing into service \$158,000 of plant  
10 associated with main replacement projects at Paradise Shores. None of the assets  
11 placed in service were revenue producing assets. See Sch. 3H. LRWC is  
12 proposing to add the 2021 additions to rate base.

13  
14 6. Plant in Service – 2021 Retirements to Plant – (\$...).

15  
16 In 2021 LRWC anticipates that certain plant will be retired. LRWC has  
17 yet to determine what plant and the related original costs. At an appropriate time  
18 during the proceeding, LRWC will update the 2021 retirements to plant and any  
19 related depreciation. See Sch. 3I.

20  
21 8. Accumulated Depreciation – Half year depreciation of organization costs  
22 – (\$0).

23  
24 9. Accumulated Depreciation – Additional half year depreciation on 2019  
25 additions – (\$12,510).

26  
27 LRWC is proposing to include the additional half year depreciation on the  
28 2019 additions to plant. During 2019 LRWC recorded \$9,798 of depreciation  
29 expenses. The annual depreciation expenses on the 2019 plant amount to  
30 \$22,308, resulting in an additional \$12,510 needed. See Sch. 3D.

31  
32 10. Accumulated Depreciation – Annual Depreciation on 9/30/20 additions –  
33 (\$11,794).

34  
35 LRWC is proposing to include the annual depreciation expense associated  
36 with the 1/1 – 9/30/20 additions to plant. The annual depreciation expenses on  
37 the 9/30/20 plant amount to \$11,794. See Sch. 3F. At an appropriate time during  
38 the proceeding, LRWC will update the 2020 addition to plant as of 12/31/20.

39  
40 11. Accumulated Depreciation – 2020 Retirements to Plant – \$26,741.

41  
42 In 2020 LRWC retired from plant \$26,741. As such, LRWC is proposing  
43 to reduce A/D by \$26,741. See Sch. 3G.

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7 12. Accumulated Depreciation – 2021 Additions to Plant - \$3,235.  
8

9 In 2021 LRWC anticipates placing into service \$158,000 of plant  
10 associated with main replacement projects at Paradise Shores. The annual  
11 depreciation expenses on the 2021 plant amount to \$3,235. See Sch. 3H.  
12

13 13. Accumulated Depreciation – 2021 Retirements to Plant – (\$...)  
14

15 In 2021 LRWC anticipates that certain plant will be retired. LRWC has  
16 yet to determine what plant and the related original costs. At an appropriate time  
17 during the proceeding, LRWC will update the 2021 retirements to plant and any  
18 related depreciation. See Sch. 3I.  
19

20 22. Cash Working Capital - \$8,632.  
21

22 LRWC adjusted cash working capital for the proforma increase in  
23 operating and maintenance expenses. See Sch 3J. Schedule 3J shows the  
24 computation of cash working capital for 2019 proforma amount and 2019, 2018  
25 and 2017 actual amounts. The proforma cash working capital is based on the  
26 proforma test year operation and maintenance expenses.  
27

28 Q. Please explain Schedule 3B.  
29

30 A. Schedule 3B shows account title, description and amounts. In recent years,  
31 LRWC has deferred various expenditures, mostly associated with certain regulatory  
32 proceedings, except for the West Point (“WP”) dry well. The total miscellaneous  
33 deferred debits amounts total \$88,097. For those costs associated with specific  
34 proceedings (DW 15-209 Step 2 - \$2,145, IR 19-005 ROE Petition - \$50,835 and  
35 DW 18-056 Tax Act - \$18,526 amounting to \$71,506, LRWC is proposing to add  
36 such amount to rate base and amortize and recover such costs over a 5 year  
37 period. Arguably, some of these costs can/should be recovered as part of rate  
38 case expenditures, but LRWC decided to exclude such costs from this  
39 proceeding’s rate case costs and to recover such costs over a longer period of time  
40 to lessen the impact on customers. In 2012 LRWC was looking for a new source  
41 of supply for its WP customers. Unfortunately, LRWC was not successful. As  
42 such, LRWC is proposing to add such amounts to rate base and recover such  
43 expenditures over a 20 year period.  
44  
45  
46

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6  
7 Q. Please explain Schedules 3D & 3E.

8  
9 A. Schedule 3D shows LRWC division numbers, names, PUC account numbers,  
10 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
11 tax amounts (m & p). In total, it shows 2019 additions to plant amounting to  
12 \$161,340 and the related depreciation and property taxes.

13  
14 Schedule 3E shows PUC account numbers and descriptions, plant costs and  
15 related depreciation. In total, it shows 2019 retirements to plant amounting to  
16 \$114,627 and the related depreciation.

17  
18 Q. Please explain Schedules 3F & 3G.

19  
20 A. Schedule 3F shows LRWC division numbers, names, PUC account numbers,  
21 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
22 tax amounts (m & p). In total, it shows 2020 additions to plant as of 9/30/20  
23 amounting to \$189,387 and the related depreciation and property taxes.

24  
25 Schedule 3G shows PUC account numbers and descriptions, plant costs and  
26 related depreciation. In total, it shows 2020 retirements to plant as of 9/30/20  
27 amounting to \$26,741 and the related depreciation.

28  
29 Q. Please explain Schedules 3H & 3I.

30  
31 A. Schedule 3H shows LRWC division numbers, names, PUC account numbers,  
32 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
33 tax amounts (m & p). In total, it shows projected 2021 additions to plant  
34 amounting to \$158,000 and the related depreciation and property taxes.

35  
36 As indicated earlier, in 2021 LRWC anticipates that certain plant will be retired.  
37 LRWC has yet to determine what plant and the related original costs. At an  
38 appropriate time during the proceeding, LRWC will update the 2021 retirements  
39 to plant and any related depreciation.

40  
41 Q. Please explain Schedules 3J.

42  
43 A. Schedule 3J shows the computation of cash working capital for 2019 proforma  
44 amount and 2019, 2018 and 2017 actual amounts. The proforma cash working  
45 capital is based on the proforma test year operation and maintenance expenses.

46

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6  
7 Q. Would you please explain Schedule 4, Rate of Return Information?

8  
9 A. See Total Company Schedule 4, which reflects the overall rate of return for both  
10 the actual test year and the proforma test year.

11  
12 Q. Please explain the Report of Proposed Rate Changes for LRWC.

13  
14 A. If LRWC's filing is approved as submitted, its total water Operating Revenues  
15 will amount to \$1,660,846. The Total Sales of Water amounts to \$1,612,772 of  
16 which \$1,402,004 comes from LRWC's 1,702 unmetered and metered customers.

17  
18 Q. Is LRWC proposing any changes to the methodology used in calculating the  
19 rates?

20  
21 A. No. LRWC is generally using the same methodology. It is applying the rate  
22 increase to the various components of rates.

23  
24 Q. When is LRWC proposing that the new rates be effective?

25  
26 A. LRWC is proposing that the new rates be effective February 15, 2021.

27  
28 Q. Is there anything that you would like to discuss?

29  
30 A. No.

31  
32  
33  
34  
35  
36  
37  
38  
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42  
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44  
45  
46

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7 **Dockham Shores (“DS”)**

8  
9 Q. What do the DS schedules show?

10  
11 A. The schedule entitled “Computation of Revenue Deficiency for the Test Year  
12 ended December 31, 2019,” summarizes the supporting schedules. The actual  
13 revenue deficiency for DS for the test year amounts to \$46,063. It is based upon  
14 an actual test year with a 13 month average rate base of \$333,982 as summarized  
15 in Schedule 3, column o. DS’s actual rate of return is 8.69% for the actual test  
16 year. The rate of return of 8.69%, when multiplied by the rate base of \$333,982,  
17 results in an operating income requirement of \$29,007. As shown on Schedule 1,  
18 column b, line 19, the actual net operating income for DS for the test year was  
19 (\$17,056). The operating income required, less the net operating income, results  
20 in an operating income deficiency before taxes of \$46,063. DS did not calculate  
21 the tax effect of the revenue deficiency, resulting in a revenue deficiency for DS  
22 of \$46,063.

23  
24 The proforma revenue deficiency for the DS for the test year amounts to zero. It  
25 is based upon a proformed test year rate base of \$366,636, as summarized in  
26 Schedule 3, column q. DS is utilizing a proformed rate of return of 8.79% for the  
27 proformed test year. The proformed rate of return of 8.79% when multiplied by  
28 the rate base of \$366,636, results in an operating net income requirement of  
29 \$32,232. As shown on Schedule 1, column d, line 19 the proformed net operating  
30 income for DS for the test year is \$32,232. The operating income required, less  
31 the net operating income, results in a deficiency of zero. The tax effect of the  
32 deficiency is zero, resulting in a revenue deficiency for DS of zero.

33  
34 Q. Would you please explain DS Schedule 1 and supporting schedules?

35  
36 A. Schedule 1 reflects DS’s Operating Income Statement. Column b shows the  
37 actual test year results for DS. Column c shows the proforma adjustments for  
38 known and measurable changes to test year revenues and expenses. The proforma  
39 adjustments are further supported by schedule 1A – 1E. Column d shows the  
40 proforma test year results. Column e is actual results for 2018.

41  
42 During the twelve months ended December 31, 2019, the actual Total Operating  
43 Revenues amounted to \$38,808, an increase of \$1,968 over 2018. The increase is  
44 due to increased water consumption.

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7 DS's total operating expenses amounted to \$55,864, an increase of \$4,305 over  
8 2018. The increase in total operating expenses was due to increases in pumping  
9 and treatment expenses. The 2019 DS Net Operating Income (Loss) amounted to  
10 (\$17,056). DS's Net Income (Loss) for 2018 was (\$14,719).  
11

12 The Company has made 2 proforma adjustments to operating revenues  
13 totaling \$58,013. The specific proforma adjustments are identified on the  
14 operating revenues schedule (Schedule 1A). A brief explanation is as follows:  
15

16 Proforma Adjustment to Revenues  
17

- 18 1. Sales of Water – Special Contract - Property Owners Association at  
19 Swissevale, Inc. (“POASI”) – (\$0).  
20
- 21 2. Sales of Water – Amount Necessary to Earn Return and Cover Operating  
22 Costs - \$57,211.  
23

24 The Company has increased test revenues for the proposed amount of  
25 revenues necessary to cover its expenses and allow it to earn its proposed rate of  
26 return.  
27

28 Total Proforma Adjustment to Water Sales is \$57,211.  
29

- 30 3. Rate Case Surcharge – (\$0).  
31
- 32 4. DW 18-056 Tax Savings Refund - \$0.  
33
- 34 5. Revenue from Contract Work - \$802.  
35

36 The Company credits revenue from contract work to PUC account 415,  
37 Revenues from ... Contract Work. Since account 415 is reflected in Other  
38 Income and Expenses, the Company is reclassifying the revenues to Other Water  
39 Revenues. The expenses associated with such contract work are reflected in test  
40 year expenses.  
41

42 The Total Proforma Adjustments to Other Water Revenues amounts to  
43 \$802. Total Proforma Adjustments to Operating Revenue amounts to \$58,013.  
44  
45  
46

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7 The Company has made 8 proforma adjustments to operating expenses  
8 totaling \$8,724. The specific proforma adjustments are identified on the  
9 operating expenses schedule (Schedule 1B). A brief explanation is as follows:

10  
11 Proforma Adjustments to Expense

- 12  
13 1. Operating and Maintenance Expenses - Wages – \$0.  
14  
15 2. Operating and Maintenance Expenses - Benefits – \$0.  
16  
17 3 - 6. Operating and Maintenance Expense – Treatment Expenses (\$2,346),  
18 T&D Expenses (\$185), Customer Accounts Expenses (\$73) and A&G Expenses  
19 \$793.  
20

21 When reviewing test year expenses, certain expenses were significantly  
22 different as compared to 2018. As such, DS is proposing a 2 year average of such  
23 expenses. Treatment expenses can vary from year to year, particularly with  
24 respect to certain water tests that are scheduled at 2, 3 & 5 year intervals. T&D  
25 expenses can also vary from year to year, particularly as it pertains to mains and  
26 services breaks. Bad debt expenses can also vary. A&G expenses, particularly  
27 outside services, can vary as well. DS is proposing a 2 year average to smooth  
28 out the variations and to end up at an amount likely to represent an appropriate  
29 amount going forward. See Sch 1C for the 2019, 2018 and 2 year average  
30 amounts.  
31

- 32 7. Operating and Maintenance – Regulatory Commission – (\$0).  
33  
34 8. Operating and Maintenance – Regulatory Commission – \$1,129.  
35

36 In recent years, DS has deferred expenditures associated with DW 16-619.  
37 See Sch 3B for account titles, descriptions and amounts. The total miscellaneous  
38 deferred debits amounts total \$5,644. DS is proposing to amortize and recover  
39 such costs over a 5 year period. The annual amortization amounts to \$1,129  
40 (\$5,644 / 5). Arguably, these costs can/should be recovered as part of rate case  
41 expenditures, but DS decided to exclude such costs from this proceeding's rate  
42 case costs and to recover such costs over a longer period of time to lessen the  
43 impact on customers.  
44

- 45 9. PUC Audit Costs - \$0.  
46

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7

Total Proforma Adjustments to O&M Expenses are (\$682).

8

9

10. Depreciation Expense – 2019 Additions to Plant associated with  
Organization Costs - \$1,794.

11

12

In 2016 and 2017 DS incurred \$35,876 of acquisition costs associated with  
the purchase of DS in NHPUC DW 16-619. As part of the Settlement Agreement  
in NHPUC DW 19-177, the Settling Parties agreed that the NHPUC “Staff will  
examine and evaluate, in the context of the impending rate case, the costs incurred  
relative to the original acquisition and financing of DS ...” DS is proposing to  
recover such DS costs over 20 years, resulting in an annual amortization of  
\$1,794. See Sch 3C.

18

19

20

11. Depreciation Expense – 2019 Additions to Plant - \$0.

21

22

12. Depreciation Expense – 2019 Retirements to Plant – (\$0).

23

24

13. Depreciation Expense – 2020 Additions to Plant - \$0.

25

26

14. Depreciation Expense – 2020 Retirements to Plant – (\$0).

27

28

15. Depreciation Expense – 2021 Additions to Plant - \$0.

29

30

16. Depreciation Expense – 2021 Retirements to Plant – (\$0).

31

32

Total Proforma Adjustments to Depreciation Expenses are \$1,794.

33

34

17. Taxes other than Income – State Utility Property Taxes - \$0.

35

36

18. Taxes other than Income – Municipal Property Taxes - \$0.

37

38

19. Taxes other than Income - Payroll Taxes - \$0.

39

40

20/21. Federal Income and State Business Taxes - \$7,612.

41

42

43

44

45

46

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6  
7 With the proposed increase in revenue offset by the proposed increase in  
8 expenses, there is also a related increase in the federal income and state business  
9 taxes. The increase in federal income taxes represents the additional tax liability  
10 due to the increase in taxable income. The increase in state business taxes  
11 represents the additional tax liability due to the increase in gross profits. See Sch  
12 1D & 1E.

13  
14 The total proforma adjustments to Operating Expenses amounts to \$8,724.

15  
16 The net of the proforma adjustments to operating revenue \$58,013 and the  
17 proforma adjustments to operating expenses \$8,724 results in net proforma  
18 adjustment of \$49,289. When the net operating income associated with the  
19 proforma adjustments is added to net operating income from the test year, the  
20 proforma test year net operating income totals \$32,233. The proforma test year  
21 net operating income of \$32,233 allows DS to cover its expenses and earn a  
22 8.79% return on its investments.

23  
24 Q. Does that complete your description of the proforma adjustments to revenues and  
25 expenses?

26  
27 A. Yes.

28  
29 Q. Are there additional schedules that support Schedule 1.

30  
31 A. Yes. Schedule 1C identifies certain operating expenses that were different as  
32 compared to 2018. Schedule 1C further identifies the 2019, 2018 and 2 year  
33 average amounts. DS is proposing a 2 year average of such expenses. A review  
34 of other operating expenses seemed to indicate that such other expenses are  
35 normal and reoccurring and appropriate for future years.

36  
37 Schedule 1D shows the income tax computation. The proforma total rate base  
38 amounts to \$366,636. See Schedule 3. The proforma weighted average cost rate  
39 for equity capital is 6.86% (See Schedule 4). When the proforma weighted  
40 average cost rate for equity capital of 6.86% is applied to the proforma total rate  
41 base, the proforma net operating income required amounts to \$25,163. When the  
42 tax multiplier of 37.14% is applied to the proforma net operating income required,  
43 it produces the total tax of \$9,346, which represents the amount of tax needed on  
44 the proforma net operating income required. The sum of the proforma net  
45 operating income required plus the total tax amount results in taxable income  
46 required before income taxes. The business profits tax at 7.70% amounts to

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6  
7 \$2,657 and the federal income tax at 21% amounts to \$6,689.

8  
9 Schedule 1E shows effective tax factor including the federal and state corporate  
10 tax rates.

11  
12 Q Please continue with an explanation of Schedule 3, Rate Base and the supporting  
13 schedule.

14  
15 A. Schedule 3 reflects the DS's Rate Base for both the actual 13 month average test  
16 year and the 2019 proforma test year. Columns b – n shows the actual month end  
17 balances. Column o shows the 13 months average balances. Column p shows  
18 the proforma adjustments. Column q shows the 2019 proforma balances. The  
19 balances are further supported by Schedules 3A – 3D.

20  
21 The rate base consists of Utility Plant in Service less Accumulated Depreciation,  
22 plus Plant Acquisition Adjustment less Accumulated Amortization of Utility Plant  
23 Acquisition Adjustment plus Material and Supplies and Miscellaneous Deferred  
24 Debits, less Deferred Taxes and less Contributions in Aid of Construction plus  
25 Accumulated Amortization of CIAC and Cash Working Capital.

26  
27 The Total 13 Month Average Rate Base and the 2019 Proforma Rate Base  
28 amounts to \$333,982 and \$366,636, respectively.

29  
30 Q. Would you please explain Schedule 3A, Rate Base Adjustments?

31  
32 A. Schedule 3A shows the various adjustments to rate base. As stated earlier in my  
33 testimony, DS believes that all assets placed in service during the test year should  
34 be fully reflected in rate base and a full year's depreciation on such assets should  
35 be fully reflected in depreciation expense and accumulated depreciation.  
36 Likewise, DS believes that other rate base items should be fully reflected in rates.  
37 As such, DS has adjusted the Actual 13 Month Average Balances to Year End  
38 Balances. The rate base items affected by the reflection of year end balances are  
39 (1) plant in service, (7) accumulated depreciation, (14) accumulated amortization  
40 of utility plant in service, (15) material and supplies, (16) miscellaneous deferred  
41 debits, (17) CIAC, (18) AA of CIAC, (18 - 21) accumulated deferred income  
42 taxes.

43  
44 In addition to the proforma adjustments to rate base for the year end balances, DS  
45 made a few other proforma adjustments as follows:  
46

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6

7

2. Plant in Service – Acquisition Costs - \$35,876.

8

9

In 2016 and 2017 DS incurred \$35,876 of acquisition costs associated with the purchase of DS in NHPUC DW 16-619. As part of the Settlement Agreement in NHPUC DW 19-177, the Settling Parties agreed that the NHPUC “Staff will examine and evaluate, in the context of the impending rate case, the costs incurred relative to the original acquisition and financing of DS ...” DS is proposing to add the organization costs of \$35,876 to rate base and recover such DS costs over 20 years, resulting in an annual amortization of \$1,794. See Sch 3C.

10

11

12

13

14

15

16

17

8. Accumulated Depreciation – Half year depreciation of organization costs – (\$897).

18

19

20

DS is proposing to add the organization costs of \$35,876 to rate base and recover such DS costs over 20 years, resulting in an annual amortization of \$1,794 and ½ year amortization to accumulated depreciation. See Sch 3C.

21

22

23

24

22. Cash Working Capital – (\$140).

25

26

DS adjusted cash working capital for the proforma increase in operating and maintenance expenses. See Sch 3C. Schedule 3C shows the computation of cash working capital for 2019 proforma amount and 2019 and 2018. The proforma cash working capital is based on the proforma test year operation and maintenance expenses.

27

28

29

30

31

32

Q. Please explain Schedule 3B.

33

34

A. Schedule 3B shows account title, description and amounts. In recent years, DS has deferred certain expenditures. The total miscellaneous deferred debits amounts total \$5,644. DS is proposing to add such amount to rate base and amortize and recover such costs over a 5 year period. Arguably, the costs can/should be recovered as part of rate case expenditures, but DS decided to exclude such costs from this proceeding’s rate case costs and to recover such costs over a longer period of time to lessen the impact on customers. As such, DS is proposing to add such amounts to rate base and recover such expenditures over a 5 year period.

35

36

37

38

39

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41

42

43

44

45

46

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6  
7 Q. Please explain Schedule 3C.

8  
9 A. Schedule 3C shows account number, description and amounts. In 2016 and 2017  
10 the Company incurred \$35,876 of acquisition costs associated with the purchase  
11 of DS in NHPUC DW 16-619. The Company is proposing to transfer the  
12 expenditures from PUC account 186 to PUC account 301.

13  
14 Q. Please explain Schedules 3D.

15  
16 A. Schedule 3D shows the computation of cash working capital for 2019 proforma  
17 amount and 2019 and 2018. The proforma cash working capital is based on the  
18 proforma test year operation and maintenance expenses.

19  
20 Q. Would you please explain Schedule 4, Rate of Return Information?

21  
22 A. See Total Company Schedule 4, which reflects the overall rate of return for both  
23 the actual test year and the proforma test year.

24  
25 Q. Please explain the Report of Proposed Rate Changes for DS.

26  
27 A. If DS's filing is approved as submitted, its total water Operating Revenues will  
28 amount to \$96,821. The Total Sales of Water amounts to \$95,842 and would  
29 come from DS's 61 metered customers.

30  
31 Q. Is DS proposing any changes to the methodology used in calculating the rates?

32  
33 A. No. DS is generally using the same methodology. It is applying the rate increase  
34 to the various components of rates.

35  
36 Q. When is DS proposing that the new rates be effective?

37  
38 A. DS is proposing that the new rates be effective February 15, 2021.

39  
40 Q. Is there anything that you would like to discuss?

41  
42 A. No.

43  
44  
45  
46

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6  
7 **Wildwood Water (“WW”)**

8  
9 Q Then, would you please summarize the WW schedules?

10  
11 A Yes. The schedule entitled “Computation of Revenue Deficiency for the Test  
12 Year ended December 31, 2019,” summarizes the supporting schedules. The  
13 actual revenue deficiency for WW for the test year amounts to \$11,614. It is  
14 based upon an actual test year with a 13 month average rate base of \$33,253 as  
15 summarized in Schedule 3, column o. WW’s actual rate of return is 8.69% for the  
16 actual test year. The rate of return of 8.69%, when multiplied by the rate base of  
17 \$33,253, results in an operating income requirement of \$2,888. As shown on  
18 Schedule 1, column b, line 19, the actual net operating income for WW for the  
19 test year was (\$8,726). The operating income required, less the net operating  
20 income, results in an operating income deficiency before taxes of \$11,614. WW  
21 did not calculate the tax effect of the revenue deficiency, resulting in a revenue  
22 deficiency for WW of \$11,614.

23  
24 The proforma revenue deficiency for the WW for the test year amounts to zero. It  
25 is based upon a proformed test year rate base of \$297,394, as summarized in  
26 Schedule 3, column q. WW is utilizing a proformed rate of return of 8.79% for  
27 the proformed test year. The proformed rate of return of 8.79% when multiplied  
28 by the rate base of \$297,394, results in an operating net income requirement of  
29 \$26,145. As shown on Schedule 1, column d, line 19 the proformed net operating  
30 income for WW for the test year is \$26,145. The operating income required, less  
31 the net operating income, results in a deficiency of zero. The tax effect of the  
32 deficiency is zero, resulting in a revenue deficiency for WW of zero.

33  
34 Q. Would you please explain WW Schedule 1 and supporting schedules?

35  
36 A Schedule 1 reflects WW’s Operating Income Statement. Column b shows the  
37 actual test year results for WW. Column c shows the proforma adjustments for  
38 known and measurable changes to test year revenues and expenses. The proforma  
39 adjustments are further supported by schedule 1A – 1E. Column d shows the  
40 proforma test year results. Column e is actual results for 2018.

41  
42 During the twelve months ended December 31, 2019, the actual Total Operating  
43 Revenues amounted to \$26,039, an increase of \$12,996 over 2018. The increase  
44 is due to full year of revenue in 2019.

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6  
7 WW's total operating expenses amounted to \$34,765, an increase of \$18,337 over  
8 2018. The increase in total operating expenses was due to a full year of expenses.  
9 The 2019 WW Net Operating Income (Loss) amounted to (\$8,726).

10  
11 The Company has made 2 proforma adjustments to operating revenues  
12 totaling \$55,538. The specific proforma adjustments are identified on the  
13 operating revenues schedule (Schedule 1A). A brief explanation is as follows:  
14

15 Proforma Adjustment to Revenues

- 16  
17 1. Sales of Water – Special Contract - Property Owners Association at  
18 Swissevale, Inc. (“POASI”) – (\$0).  
19  
20 2. Sales of Water – Amount Necessary to Earn Return and Cover Operating  
21 Costs - \$54,737.  
22

23 The Company has increased test revenues for the proposed amount of  
24 revenues necessary to cover its expenses and allow it to earn its proposed rate of  
25 return.  
26

27 Total Proforma Adjustment to Water Sales is \$54,737.

- 28  
29 3. Rate Case Surcharge – (\$0).  
30  
31 4. DW 18-056 Tax Savings Refund - \$0.  
32  
33 5. Revenue from Contract Work - \$801.  
34

35 The Company credits revenue from contract work to PUC account 415,  
36 Revenues from ... Contract Work. Since account 415 is reflected in Other  
37 Income and Expenses, the Company is reclassifying the revenues to Other Water  
38 Revenues. The expenses associated with such contract work are reflected in test  
39 year expenses.  
40

41 The Total Proforma Adjustments to Other Water Revenues amounts to  
42 \$801. Total Proforma Adjustments to Operating Revenue amounts to \$55,538.  
43

44 The Company has made a number of proforma adjustments to operating  
45 expenses totaling \$20,667. The specific proforma adjustments are identified on  
46 the operating expenses schedule (Schedule 1B). A brief explanation is as follows:

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6

7

Proforma Adjustments to Expense

8

9

1. Operating and Maintenance Expenses - Wages – \$0.

10

11

2. Operating and Maintenance Expenses - Benefits – \$0.

12

13

3 - 6. Operating and Maintenance Expense – Treatment Expenses (\$788), T&D Expenses (\$239), Customer Accounts Expenses (\$0) and A&G Expenses \$0.

14

15

16

When reviewing test year expenses, certain expenses were significantly different as compared to 2018. As such, WW is proposing a 2 year average of such expenses. Treatment expenses can vary from year to year, particularly with respect to certain water tests that are scheduled at 2, 3 & 5 year intervals. T&D expenses can also vary from year to year, particularly as it pertains to mains and services breaks. See Sch 1C for the 2019, 2018 and 2 year average amounts.

22

23

7. Operating and Maintenance – Regulatory Commission – \$0.

24

25

8. Operating and Maintenance – Regulatory Commission – \$0.

26

27

9. PUC Audit Costs - \$0.

28

29

Total Proforma Adjustments to O&M Expenses are (\$1,026).

30

31

10. Depreciation Expense – 2019 Additions to Plant associated with Organization Costs - \$1,794.

32

33

34

In 2017 and 2018, the Company incurred \$14,664 of acquisition costs associated with the purchase of WW in NHPUC DW 17-176. The Company is proposing to recover such WW costs over 20 years, resulting in an annual amortization of \$733. See Sch 3B.

37

38

39

11. Depreciation Expense – 2019 Additions to Plant - \$0.

40

41

12. Depreciation Expense – 2019 Retirements to Plant – (\$0).

42

43

44

45

46

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6

7 13. Depreciation Expense – 2020 Additions to Plant - \$216.  
8

9 The WW is proposing to include the annual depreciation expense  
10 associated with the 1/1 – 9/30/20 additions to plant. As of 9/30/20, WW has  
11 placed \$2,161 into service. None of the assets placed in service were revenue  
12 producing assets. The annual depreciation expenses on the 9/30/20 plant amount  
13 to \$216. See Sch. 3C. At an appropriate time during the proceeding, WW will  
14 update the 2020 addition to plant as of 12/31/20.  
15

16 14. Depreciation Expense – 2020 Retirements to Plant – (\$0).  
17

18 15. Depreciation Expense – 2021 Additions to Plant - \$10,639.  
19

20 In 2021 WW anticipates placing into service \$260,000 of plant associated  
21 with pump station replacemen. None of the assets placed in service were revenue  
22 producing assets. The annual depreciation expenses on the 2021 plant amount to  
23 \$10,639. See Sch. 3E.  
24

25 16. Depreciation Expense – 2021 Retirements to Plant – (\$0).  
26

27 In 2021 WW anticipates that certain plant will be retired. WW has yet to  
28 determine what plant and the related original costs. At an appropriate time during  
29 the proceeding, WW will update the 2021 retirements to plant and any related  
30 depreciation. See Sch. 3F.  
31

32 Total Proforma Adjustments to Depreciation Expenses are \$11,589.  
33

34 17. Taxes other than Income – State Utility Property Taxes - \$1,659.  
35

36 In 2019 WW incurred \$341 in state utility property taxes. With the 2020  
37 and 2021 additions to plant, the Company anticipates that the state utility property  
38 taxes will increase by \$13 and \$1,646, respectively. As such, the Company has  
39 prepared a proforma adjustment for \$1,659. See column (m) on Schedules 3C &  
40 3E for the calculation.  
41  
42  
43  
44  
45  
46

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6  
7 18. Taxes other than Income – Municipal Property Taxes - \$2,599.

8  
9 In 2019 the Company incurred \$903 in municipal property taxes. With the  
10 2020 and 2021 additions to plant, the Company anticipates that the municipal  
11 utility property taxes will increase by \$20 and \$2,578, respectively. As such, the  
12 Company has prepared a proforma adjustment for \$2,599. See column (p) on  
13 Schedules 3C, & 3E for the calculation.

14  
15 19. Taxes other than Income - Payroll Taxes - \$0.

16  
17 20/21. Federal Income and State Business Taxes - \$5,847.

18  
19 With the proposed increase in revenue offset by the proposed increase in  
20 expenses, there is also a related increase in the federal income and state business  
21 taxes. The increase in federal income taxes represents the additional tax liability  
22 due to the increase in taxable income. The increase in state business taxes  
23 represents the additional tax liability due to the increase in gross profits. See Sch  
24 1D & 1E.

25  
26 The total proforma adjustments to Operating Expenses amounts to  
27 \$20,667.

28  
29 The net of the proforma adjustments to operating revenue \$55,538 and the  
30 proforma adjustments to operating expenses \$20,667 results in net proforma  
31 adjustment of \$34,871. When the net operating income associated with the  
32 proforma adjustments is added to net operating income from the test year, the  
33 proforma test year net operating income totals \$26,145. The proforma test year  
34 net operating income of \$26,145 allows WW to cover its expenses and earn a  
35 8.79% return on its investments.

36  
37 Q. Does that complete your description of the proforma adjustments to revenues and  
38 expenses?

39  
40 A. Yes.

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6  
7 Q. Are there additional schedules that support Schedule 1.

8  
9 A. Yes. Schedule 1C identifies certain operating expenses that were different as  
10 compared to 2018. Schedule 1C further identifies the 2019, 2018 and 2 year  
11 average amounts. WW is proposing a 2 year average of such expenses. A review  
12 of other operating expenses seemed to indicate that such other expenses are  
13 normal and reoccurring and appropriate for future years.

14  
15 Schedule 1D shows the income tax computation. The proforma total rate base  
16 amounts to \$297,394. See Schedule 3. The proforma weighted average cost rate  
17 for equity capital is 6.86% (See Schedule 4). When the proforma weighted  
18 average cost rate for equity capital of 6.86% is applied to the proforma total rate  
19 base, the proforma net operating income required amounts to \$20,410. When the  
20 tax multiplier of 37.14% is applied to the proforma net operating income required,  
21 it produces the total tax of \$7,581, which represents the amount of tax needed on  
22 the proforma net operating income required. The sum of the proforma net  
23 operating income required plus the total tax amount results in taxable income  
24 required before income taxes. The business profits tax at 7.70% amounts to  
25 \$2,155 and the federal income tax at 21% amounts to \$5,426.

26  
27 Schedule 1E shows effective tax factor including the federal and state corporate  
28 tax rates.

29  
30 Q Please continue with an explanation of Schedule 3, Rate Base and the supporting  
31 schedule.

32  
33 A. Schedule 3 reflects the WW's Rate Base for both the actual 13 month average test  
34 year and the 2019 proforma test year. Columns b – n shows the actual month end  
35 balances. Column o shows the 13 months average balances. Column p shows  
36 the proforma adjustments. Column q shows the 2019 proforma balances. The  
37 balances are further supported by Schedules 3A – 3G.

38  
39 The rate base consists of Utility Plant in Service less Accumulated Depreciation,  
40 plus Plant Acquisition Adjustment less Accumulated Amortization of Utility Plant  
41 Acquisition Adjustment plus Material and Supplies and Miscellaneous Deferred  
42 Debits, less Deferred Taxes and less Contributions in Aid of Construction plus  
43 Accumulated Amortization of CIAC and Cash Working Capital.

44  
45 The Total 13 Month Average Rate Base and the 2019 Proforma Rate Base  
46 amounts to \$33,253 and \$297,394, respectively.

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6  
7 Q. Would you please explain Schedule 3A, Rate Base Adjustments?

8  
9 A. Schedule 3A shows the various adjustments to rate base. As stated earlier in my  
10 testimony, WW believes that all assets placed in service during the test year  
11 should be fully reflected in rate base and a full year's depreciation on such assets  
12 should be fully reflected in depreciation expense and accumulated depreciation.  
13 Likewise, WW believes that other rate base items should be fully reflected in  
14 rates. As such, WW has adjusted the Actual 13 Month Average Balances to Year  
15 End Balances. The rate base items affected by the reflection of year end balances  
16 are (1) plant in service, (7) accumulated depreciation, (14) accumulated  
17 amortization of utility plant in service, (15) material and supplies, (16)  
18 miscellaneous deferred debits, (17) CIAC, (18) AA of CIAC, (18 - 21)  
19 accumulated deferred income taxes.

20  
21 In addition to the proforma adjustments to rate base for the year end balances,  
22 WW made a few other proforma adjustments as follows:

23  
24 2. Plant in Service – Acquisition Costs - \$14,664.

25  
26 In 2017 and 2018, WW incurred \$14,664 of acquisition costs associated  
27 with the purchase of WW in NHPUC DW 17-176. WW is proposing to transfer  
28 the amounts out of account 186, miscellaneous deferred debits and into 301,  
29 organization costs. WW is also proposing to recover such WW costs over 20  
30 years, resulting in an annual amortization of \$2,527. See Sch 3B.

31  
32 3. Plant in Service – 2020 Additions to Plant - \$2,161.

33  
34 As of 9/30/20, WW has placed \$2,161 into service. None of the assets  
35 placed in service were revenue producing assets. See Sch. 3C. WW is proposing  
36 to add the 2020 addition to rate base. At an appropriate time during the  
37 proceeding, WW will update the 2020 additions to plant as of 12/31/20.

38  
39 5. Plant in Service – 2021 Additions to Plant - \$260,000.

40  
41 In 2021 WW anticipates placing into service \$260,000 of plant associated  
42 pump station replacement. None of the assets placed in service were revenue  
43 producing assets. See Sch. 3E. WW is proposing to add the 2021 additions to  
44 rate base.

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6  
7 6. Plant in Service – 2021 Retirements to Plant – (\$...).

8  
9 In 2021 WW anticipates that certain plant will be retired. WW has yet to  
10 determine what plant and the related original costs. At an appropriate time during  
11 the proceeding, WW will update the 2021 retirements to plant and any related  
12 depreciation. See Sch. 3F.

13  
14 8. Accumulated Depreciation – Half year depreciation of organization costs  
15 – (\$367).

16  
17 WW is proposing to add the organization costs of \$14,664 to rate base and  
18 recover such WW costs over 20 years, resulting in an annual amortization of \$733  
19 and ½ year amortization to accumulated depreciation. See Sch 3B.

20  
21 10. Accumulated Depreciation – Annual Depreciation on 9/30/20 additions –  
22 (\$216).

23  
24 WW is proposing to include the annual depreciation expense associated  
25 with the 1/1 – 9/30/20 additions to plant. The annual depreciation expenses on  
26 the 9/30/20 plant amount to (\$216). See Sch. 3C. At an appropriate time during  
27 the proceeding, WW will update the 2020 addition to plant as of 12/31/20.

28  
29 12. Accumulated Depreciation – 2021 Additions to Plant – (\$10,639).

30  
31 In 2021 WW anticipates placing into service \$260,000 of plant associated  
32 with pump station replacement. The annual depreciation expenses on the 2021  
33 plant amount to \$10,639. See Sch. 3E.

34  
35 22. Cash Working Capital – (211).

36  
37 WW adjusted cash working capital for the proforma increase in operating  
38 and maintenance expenses. See Sch 3G. Schedule 3G shows the computation of  
39 cash working capital for 2019 proforma amount and 2019 and 2018. The  
40 proforma cash working capital is based on the proforma test year operation and  
41 maintenance expenses.

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6  
7 Q. Please explain Schedule 3B.

8  
9 A. Schedule 3C shows account number, description and amounts. In 2017 and 2018  
10 the Company incurred \$14,664 of acquisition costs associated with the purchase  
11 of WW in NHPUC DW 17-176. WW is proposing to transfer the expenditures  
12 from PUC account 186 to PUC account 301.

13  
14 Q. Please explain Schedules 3C & 3D.

15  
16 A. Schedule 3C shows LRWC division numbers, names, PUC account numbers,  
17 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
18 tax amounts (m & p). For WW, it shows 2020 additions to plant as of 9/30/20  
19 amounting to \$2,161 and the related depreciation and property taxes.

20  
21 Schedule 3D shows PUC account numbers and descriptions, plant costs and  
22 related depreciation. For WW, it shows 2020 retirements to plant as of 9/30/20  
23 amounting to \$0 and the related depreciation.

24  
25 Q. Please explain Schedules 3E & 3F.

26  
27 A. Schedule 3E shows LRWC division numbers, names, PUC account numbers,  
28 plant amounts (columns d-f), depreciation amounts (columns h-k) and property  
29 tax amounts (m & p). For WW, it shows projected 2021 additions to plant  
30 amounting to \$260,000 and the related depreciation and property taxes.

31  
32 As indicated earlier, in 2021 WW anticipates that certain plant will be retired.  
33 WW has yet to determine what plant and the related original costs. At an  
34 appropriate time during the proceeding, WW will update the 2021 retirements to  
35 plant and any related depreciation.

36  
37 Q. Please explain Schedules 3G.

38  
39 A. Schedule 3G shows the computation of cash working capital for 2019 proforma  
40 amount and 2019 and 2018. The proforma cash working capital is based on the  
41 proforma test year operation and maintenance expenses.

42  
43 Q. Would you please explain Schedule 4, Rate of Return Information?

44  
45 A. See Total Company Schedule 4, which reflects the overall rate of return for both  
46 the actual test year and the proforma test year.

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6  
7 Q. Please explain the Report of Proposed Rate Changes for WW.

8  
9 A. If WW's filing is approved as submitted, its total water Operating Revenues will  
10 amount to \$81,577. The Total Sales of Water amounts to \$80,382 and would  
11 come from WW's 49 unmetered customers.

12  
13 Q. Is WW proposing any changes to the methodology used in calculating the rates?

14  
15 A. No. WW is generally using the same methodology. It is applying the rate  
16 increase to the various components of rates.

17  
18 Q. When is WW proposing that the new rates be effective?

19  
20 A. WW is proposing that the new rates be effective February 15, 2021.

21  
22 Q. Is there anything that you would like to discuss?

23  
24 A. No.

25  
26 **OTHER MATTERS**

27  
28 Q. Is there anything else that the Company would like to address?

29  
30 A. The Company is interested in exploring with the PUC Staff and any other parties  
31 the possibility of billing monthly instead of billing quarterly. The Company is  
32 also interested in exploring with the PUC Staff and any other parties the  
33 possibility of meter program whereby water system that are not metered get  
34 metered over time with a separate meter program recovery mechanism.

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6  
7 **CONCLUSION**

8  
9 Q. Would you please summarize what the Company is requesting in its rate filing?

10  
11 A. The Company respectfully requests that the Commissioners approve the  
12 consolidation of rates to all of the Company's water systems including Dockham  
13 Shores and Wildwood Water. If the Commissioners approve the consolidation of  
14 rates, the Company respectfully requests that the Commissioners also approve an  
15 increase in revenues of \$260,172 or 19.69% from the Company's 1,812  
16 unmetered and metered customers.

17  
18 If the Commissioners do not approve the consolidation of rates, the Company  
19 respectfully requests that the Commissioners approve an increase in revenues of  
20 \$144,913 or 11.53%, \$57,211 or 148.10% and \$54,737 or 213.44% from the  
21 Company's LRWC (w/o DS & WW), DS & WW, respectively.

22  
23 Q. Is there anything further that you would like to discuss?

24  
25 A. No, there is nothing further.

26  
27 Q. Does this conclude your testimony?

28  
29 A. Yes.

30