

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Pennichuck Water Works, Inc. Rate Case Filing (06-27-22) [REDACTED - For PUBLIC Use]	<i>premarked</i>
2	Pennichuck Water Works, Inc. Rate Case Filing (06-27-22) {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
3	Temporary Rate Settlement Agreement (10-26-22)	<i>premarked</i>
4	Permanent Rate Settlement Agreement, with attachments (05-10-23) [REDACTED - For PUBLIC Use]	<i>premarked</i>
5	Permanent Rate Settlement Agreement, with attachments (05-10-23) {CONFIDENTIAL & PROPRIETARY}	<i>premarked</i>
6	Miscellaneous Utility Fees Cost Calculations	<i>premarked</i>
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P R O C E E D I N G

1
2 CMSR. SIMPSON: Good morning, everyone.
3 I'm Commissioner Simpson. I'm joined by
4 Commissioner Chattopadhyay. Chairman Goldner is
5 unavailable today.

6 We're here this morning for a hearing
7 in Docket Number DW 22-032, a request for a
8 change in rates by Pennichuck Water Works,
9 Incorporated. The authority to convene a hearing
10 in this matter is provided in RSA 378:7. We are
11 considering testimony and evidence, as well as a
12 Settlement Agreement, concerning the rates
13 charged to customers by Pennichuck Water Works.

14 Let's take appearances, starting with
15 the Company.

16 MS. BROWN: Good morning,
17 Commissioners. Thank you for your time today.
18 My name is Marcia, NH Brown Law, representing
19 Pennichuck Water Works in this matter. To my
20 immediate right is Jay Kerrigan; and to his right
21 is George Torres; and to his right is John
22 Boisvert; and behind us is Julia Gagnon.

23 Thank you.

24 CMSR. SIMPSON: Thank you. And New

1 Hampshire Department of Energy?

2 MS. SCHWARZER: Good morning,
3 Commissioners. My name is Mary Schwarzer. I'm a
4 Staff Attorney with the Department of Energy.
5 With me this morning, already on the witness
6 stand, is our Water Director, Jayson Laflamme;
7 and to my left is a Utility Analyst, Anthony
8 Leone.

9 Thank you.

10 CMSR. SIMPSON: Thank you. Good
11 morning. And the New Hampshire Office of the
12 Consumer Advocate?

13 MR. CROUSE: Good morning,
14 Commissioners. My name is Michael Crouse. I'm
15 with the Office of the Consumer Advocate as their
16 Staff Attorney, representing residential utility
17 customers.

18 Thank you.

19 CMSR. SIMPSON: Great. Thank you.

20 So, I don't see anyone else in the room
21 today. We have a pending Motion for Confidential
22 Treatment. When the parties, if the parties
23 introduce confidential items, please let us know,
24 so we can note that in the transcript. I don't

1 think we need to break, because it's just all of
2 the parties in the room today.

3 We also note that the Settlement
4 Agreement and attachments are filed as "Exhibit
5 5", but we haven't seen them filed separately in
6 this docket. Attorney Brown brought to our
7 attention a updated Hearing Exhibit list as well,
8 which we have paper copies in front of us today.
9 And, if you could email those electronically as
10 well, that would be helpful, after the hearing.

11 For clarity and completeness, we'd also
12 ask that the Company file the Settlement
13 Agreement as a single filing, and the attachments
14 as a separate filing, following this hearing, if
15 you could do that as well. So, we have a
16 document that is the Settlement Agreement, and
17 then a separate document that has all of the
18 attachments combined.

19 MS. BROWN: That is fine. I mean, I do
20 have a cover letter that I filed with the
21 Settlement Agreement, but that has not appeared
22 in the docketbook for some reason. I can send
23 that email out again.

24 CMSR. SIMPSON: Okay.

1 MS. BROWN: The Exhibit 6 has been
2 electronically filed. The updated Exhibit List
3 has been electronically filed. But, given the
4 lateness of yesterday, I doubt the Clerk has had
5 time to update the docketbook for you.

6 CMSR. SIMPSON: Okay. Perfect. Thank
7 you.

8 So, the parties have premarked and
9 numbered the exhibits for the hearing today. And
10 we'll refer to those documents by their exhibit
11 numbers during the hearing.

12 Does anybody have any preliminary
13 matters that they would like to address?

14 MS. BROWN: Other than, I believe, for
15 the marking of the exhibits, that even though
16 Exhibit 6 was Pennichuck's exhibit, I don't
17 believe that there is any objection to marking
18 all of the Exhibits 1 through 6 for
19 identification. And I would just ask OCA,
20 because I don't believe I've had an email from
21 them assenting to the marking of 6.

22 CMSR. SIMPSON: Attorney Crouse, do you
23 have any objection to marking that exhibit as
24 "6"?

[WITNESS PANEL: Ware|Laflamme]

1 MR. CROUSE: No, there's no objections.

2 CMSR. SIMPSON: Thank you. And
3 anything from the Department?

4 MS. SCHWARZER: The Department has no
5 objection to Exhibit 6, or to marking it.

6 CMSR. SIMPSON: Thank you. And no
7 other preliminary matters?

8 *[Atty. Schwarzer indicating in the*
9 *negative.]*

10 CMSR. SIMPSON: Great. All right.
11 Mr. Patnaude, if you would swear the witnesses
12 in, we'd appreciate it. Thank you.

13 *(Whereupon **DONALD L. WARE** and*
14 ***JAYSON P. LAFLAMME** were duly sworn by*
15 *the Court Reporter.)*

16 CMSR. SIMPSON: Great. And I'll
17 recognize Attorney Brown, for the Company.

18 MS. BROWN: Yes. As you can see,
19 Commissioners, we have a panel of the Company
20 witness and Department of Energy.

21 And, so, just as I'm referring to the
22 exhibits, I have the exhibits as numbered. But
23 would it also be helpful for you if I referenced
24 the electronic document name, because I will be

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1 partly doing that for Donald Ware?

2 CMSR. SIMPSON: Sure. I mean, I think
3 we have the exhibit numbers. But, if you could
4 also just note the name of the description for
5 each exhibit, that might be helpful as well.

6 MS. BROWN: Yes. Because, for
7 instance, Exhibit C to the Settlement is -- goes
8 over the Rate Stabilization Funds, and I think
9 it's best viewed electronically.

10 CMSR. SIMPSON: Yes.

11 MS. BROWN: Just so that Mr. Ware can
12 refer to the columns, and direct you to the
13 boxes, where the *pdf* doesn't have that. So,
14 thank you for --

15 CMSR. SIMPSON: Sure. My esteemed
16 colleague is an Excel wiz. So, I know he'll be
17 right in there.

18 CMSR. CHATTOPADHYAY: Fortunately, I
19 won't spend a lot time on the Excel files today.

20 MS. BROWN: All right.

21 CMSR. CHATTOPADHYAY: For me, just the
22 way the files came in, it would be helpful if
23 you, for example, if you said "Exhibit 4", you
24 also mention "Part 2 of 9" or "Part 3 of 9".

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[WITNESS PANEL: Ware|Laflamme]

1 That's what I'm looking for. Okay. Thank you.

2 MS. BROWN: No, thank you very much.

3 And, so, with that, if I could just
4 start with background for Mr. Ware.

5 **DONALD L. WARE, SWORN**

6 **DIRECT EXAMINATION**

7 BY MS. BROWN:

8 Q Mr. Ware, can you please state your name for the
9 record?

10 A (Ware) I'm Donald Ware.

11 Q And by whom are you employed?

12 A (Ware) I am employed by Pennichuck Water Works.

13 Q And what positions do you hold with Pennichuck
14 Water Works?

15 A (Ware) I am the Chief Operating Officer of
16 Pennichuck Water Works.

17 Q And can you please describe your responsibilities
18 in that position?

19 A (Ware) Yes. My responsibility is the oversight
20 of the operations at Pennichuck Water Works. I
21 coordinate the efforts of our Customer Service,
22 Distribution, Water Supply, and Engineering
23 Departments, in conjunction with those of our
24 Accounting, Regulatory, and Information Systems

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[WITNESS PANEL: Ware|Laflamme]

1 Departments, to carry out the overall operations
2 of the Company in providing safe drinking water
3 to our customers.

4 Q Thank you. And have you testified before this
5 Commission before?

6 A (Ware) Yes.

7 Q Do you hold any -- in that list of
8 responsibilities, did you list any professional
9 licenses that you hold?

10 A (Ware) No, I did not.

11 Q Do you hold any professional licenses?

12 A (Ware) Yes, I do. I am a licensed Professional
13 Engineer in the States of New Hampshire,
14 Massachusetts, and Maine, as well as a Certified
15 Grade IV Water Treatment Plant and Distribution
16 Operator in New Hampshire, Massachusetts, and
17 Maine.

18 Q And do you consider those areas covered by those
19 certificates and licenses to be your area of
20 expertise?

21 A (Ware) Yes, I do.

22 Q And will part of your testimony today be within
23 that area of expertise?

24 A (Ware) Yes, it will.

[WITNESS PANEL: Ware|Laflamme]

1 MS. BROWN: Okay. And I believe DOE is
2 going to do the background of Mr. Laflamme.

3 MS. SCHWARZER: Yes. Thank you. Good
4 morning, Mr. Laflamme.

5 WITNESS LAFLAMME: Good morning.

6 **JAYSON P. LAFLAMME, SWORN**

7 **DIRECT EXAMINATION**

8 BY MS. SCHWARZER:

9 Q Could you please state your full name for the
10 record?

11 A (Laflamme) Jayson Laflamme.

12 Q And by whom are you employed?

13 A (Laflamme) The New Hampshire Department of
14 Energy.

15 Q And what is your position with the Department?

16 A (Laflamme) I am the Director of the Water Group
17 within the Regulatory Support Division.

18 Q Could you please describe your previous work
19 experience relative to utility regulation
20 briefly?

21 A (Laflamme) Sure. I joined the Public Utilities
22 Commission in 1997 as a Utility Examiner in the
23 Commission's Audit Division. In 2001, I joined
24 the Commission's Gas and Water Division as a

[WITNESS PANEL: Ware|Laflamme]

1 Utility Analyst, and was eventually promoted to
2 the position of Senior Utility Analyst. In 2018,
3 I became the Assistant Director of the Gas and
4 Water Division within the Public Utilities
5 Commission. And, in July of 2021, my position
6 was transferred to the newly created New
7 Hampshire Department of Energy. And then, in
8 June of 2022, I was appointed as the Director of
9 the DOE's Water Group.

10 Q And what are your responsibilities as the
11 Director of the DOE's Water Group?

12 A (Laflamme) I directly supervise the Water Staff
13 of the Regulatory Support Division, and primarily
14 oversee the course of examination of water and
15 wastewater dockets that come before the
16 Commission. And I also directly examine select
17 dockets that come before the Commission, such as
18 the one being heard this morning.

19 Q Have you previously testified before this
20 Commission?

21 A (Laflamme) Yes.

22 MS. SCHWARZER: Thank you, Mr.
23 Laflamme.

24 BY MS. BROWN:

[WITNESS PANEL: Ware|Laflamme]

1 Q Mr. Ware -- back to you, Mr. Ware. Do you have
2 either Exhibit 1 or -- well, let's focus on
3 Exhibit 2 before you?

4 A (Ware) Yes, I do.

5 Q Okay. And, just for the record, Exhibit 1 is the
6 redacted version, Exhibit 2 is the confidential
7 version. Mr. Ware, can you please identify for
8 the record what is "Exhibit 2"?

9 A (Ware) Exhibit 2 encompasses all the various
10 documents associated with the rate case filing,
11 starting with an index of the various tabs, and
12 incorporating all -- again, all the various
13 filings associated with the rate case filing.

14 Q Mr. Ware, was Exhibit 2 prepared by you or under
15 your direct supervision and control?

16 A (Ware) Yes, it was.

17 Q And does that include the schedules under Puc
18 1604.06 and then 1604.08?

19 A (Ware) Yes, it does.

20 Q And, also, the schedule "DLW Exhibit 1", is that
21 correct?

22 A (Ware) That is correct.

23 Q Okay. As part of Exhibit 2, Tab 8, I'd like to
24 direct your attention to your prefiled direct

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1 testimony, and just ask a general question. With
2 respect to that testimony that was filed in
3 Exhibit 2, and other than any changes that
4 happened to the PUC 1604.06, 1604.08, and the DLW
5 Exhibit 1, are there any changes or corrections
6 that need to be made to this, the testimony?

7 A (Ware) No. I guess, you know, along the way,
8 through discovery, there have been various
9 changes made to some of the initial filing
10 documents, and, in particular, the 1604.06 and 08
11 schedules, and Exhibit C, which is the attest --
12 yes, the attestation of the Petition, that
13 reference should instead be to "Attachment A".
14 "Attachment C", as it was referenced, pertained
15 to PAC, and "Attachment A" pertained to PWW in
16 that filing.

17 Q Okay. Because I was going to next draw your
18 attention to Page 64, and bring it up to the
19 Commissioners that change in the attachment
20 reference. So, thank you very much for doing
21 that. "Attachment C" referenced at Page 64, Line
22 11, should be "Attachment A". Thank you.

23 Mr. Ware, other than that correction,
24 if you were asked these questions today, would

[WITNESS PANEL: Ware|Laflamme]

1 your answers generally be the same?

2 A (Ware) Yes.

3 Q And would you adopt this testimony as part of
4 your testimony today?

5 A (Ware) Yes.

6 Q Okay. Now, also part of Exhibit 2, are you aware
7 that Mr. Larry Goodhue also filed prefiled direct
8 testimony?

9 A (Ware) Yes.

10 Q And are you familiar with that testimony?

11 A (Ware) Yes, I am.

12 Q Are you aware of any changes or corrections that
13 would be made to Mr. Goodhue's testimony?

14 A (Ware) I am not aware of any changes that need to
15 be made.

16 Q And are you able to adopt Mr. Goodhue's testimony
17 today as yours, for purposes of this hearing?

18 A (Ware) Yes, I will.

19 Q Thank you. Now, Mr. Ware, sticking with
20 Exhibit 2, and just also authenticate the next
21 testimony, I'd like to direct your attention to,
22 this is Exhibit 2, and electronically it's Part 1
23 of 3, in particular, Tab 10, which is the
24 temporary rate testimony. If you can -- are you

[WITNESS PANEL: Ware|Laflamme]

1 familiar with that testimony?

2 A (Ware) Yes, I am.

3 Q Okay. And this is joint testimony?

4 A (Ware) Yes, it was.

5 Q And are there any changes or corrections, other
6 than the reference to the 1604 schedules and the
7 DLW Exhibit 1, are there any changes or
8 corrections that you would need to make to this
9 testimony?

10 A (Ware) No.

11 Q And would you also be adopting this testimony as
12 part of your testimony here today at the hearing?

13 A (Ware) Yes.

14 Q Okay. Now, I'd like to next go to the Settlement
15 attachments, Mr. Ware. And, in particular,
16 there's an Attachment B that are a compilation of
17 data responses. And, electronically, this is --
18 well, if I use Exhibit 4, it's Part 3 of 9, the
19 data responses, --

20 A (Ware) Yes.

21 Q -- Attachment B. Okay. So, you're familiar with
22 that. Okay. Now, Mr. Ware, did the Company
23 respond to data requests in this proceeding?

24 A (Ware) Yes, it did.

[WITNESS PANEL: Ware|Laflamme]

1 Q And who responded to those data requests?

2 A (Ware) Both myself and Larry Goodhue.

3 Q And are you familiar with both the responses by
4 you, yourself, and Mr. Goodhue?

5 A (Ware) Yes, I am.

6 Q And those responses are contained in Attachment B
7 to the Settlement Agreement, is that correct?

8 A (Ware) Yes.

9 Q And were those responses correct and accurate at
10 the time that the Company made them?

11 A (Ware) Yes, they were.

12 Q If I can next draw your attention to
13 Attachment F, which is the Final Audit Report,
14 just to note that for the record. Are you
15 familiar with the Audit Report that was conducted
16 in this proceeding?

17 A (Ware) Yes, I am.

18 Q And did the Company respond to some of the
19 findings in this Audit Report?

20 A (Ware) Yes.

21 Q And, of those responses, are you aware of any
22 changes or corrections that would need to be made
23 to those?

24 A (Ware) No.

[WITNESS PANEL: Ware|Laflamme]

1 Q Mr. Ware, did the Company participate in a
2 Settlement on Temporary Rates?

3 A (Ware) Yes.

4 Q And that has been marked for identification as
5 "Exhibit 3", is that correct?

6 A (Ware) Yes.

7 Q And are you familiar with the terms of this
8 Temporary Rate Settlement?

9 A (Ware) Yes.

10 Q Was this Temporary Rate Settlement prepared under
11 your direction or supervision and control?

12 A (Ware) Yes.

13 Q And are you aware of any changes or corrections
14 that need to be made to this Settlement
15 Agreement?

16 A (Ware) No changes need to be made to the
17 Settlement Agreement.

18 Q Okay. I'd like to direct your attention to
19 Page 3. Now, this is electronically Exhibit 3,
20 Temporary Rate Settlement, if you have that, and
21 direct your attention to Page 3, Paragraph IV.C?

22 A (Ware) Yes.

23 Q Okay. You're there?

24 A *[Witness Ware indicating in the affirmative].*

[WITNESS PANEL: Ware|Laflamme]

1 Q Okay. Now, in this term, did the Company agree
2 to forgo recoupment of temporary rates that
3 Pennichuck could otherwise have collected in a
4 normal rate proceeding?

5 A (Ware) Yes, it did.

6 Q Okay. Now, if you could please explain for the
7 record, what is the impact of not having
8 temporary rates?

9 A (Ware) So, temporary rates would have allowed us,
10 set at current rates, would have allowed us to
11 collect the difference between the revenues
12 collected from the date of the acceptance of the
13 filing to the final order, the difference in
14 revenues between, again, the rates in effect
15 during that timeframe, and the rates that would
16 have been in effect as -- that are approved as
17 part of this rate proceeding.

18 Q Thank you. Now, also, in this section, did the
19 Company, as part of this Settlement, was it able
20 to continue collecting its QCPAC surcharge?

21 A (Ware) Yes, it did.

22 Q Okay. And can you please explain for the record
23 how the capital approved in the QCPAC is treated
24 in the rate case?

[WITNESS PANEL: Ware|Laflamme]

1 A (Ware) Yes. So, the capital in this particular
2 rate case filing that we're looking to recover
3 the principal and interest on was capital that
4 was invested in 2019, 2020, and 2021.

5 Q Thank you. Are you familiar with the concept
6 "prudent, used and useful"?

7 A (Ware) Yes.

8 Q And, so, whether plant in the proposed permanent
9 rates for this rate proceeding has already been
10 deemed "prudent, used and useful", did that occur
11 already in the QCPAC process?

12 A (Ware) Yes. So, the 2019 capital projects, as
13 far as their prudence, and the effective cost of
14 the carrying cost of the principal and interest
15 times 1.1 was reviewed and accepted as part of
16 DW 20-020. The capital that was invested in 2020
17 was reviewed for, again, being prudent, used and
18 useful, as well as the final costs, in DW 21-023.
19 And the capital invested in 2021, which is the
20 test year for this rate case, was investigated in
21 DW 22-006, and, again, as part of that process
22 was deemed to be prudent, used and useful.

23 Q Mr. Ware, can you please explain what percent of
24 the overall permanent revenue requirement -- or,

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1 the revenue requirement increase does the QCPAC
2 represent?

3 A (Ware) The cumulative QCPAC that is currently in
4 effect is 7.25 percent over the permanent rates
5 that were granted in 19-084, and that is 7.25
6 percent of the overall increase being sought in
7 this rate case of 10.20 percent.

8 Q Thank you. So, if the QCPAC is 7.25, then the
9 net of the -- from 10.2 is 2.95, if you agree
10 with my math. Of that 2.95 percent, what does
11 that represent?

12 A (Ware) That represents additional expenses
13 associated with our operations, generally related
14 to, you know, chemicals, power, labor expenses,
15 office rent, so on and so forth.

16 Q Okay. Now, from a customer's perspective,
17 looking at their bill, and the line items, with
18 the approval of permanent rates, what happens to
19 the QCPAC?

20 A (Ware) So, the QCPAC shows as a separate line on
21 the bill. That line will be removed from the
22 bill, and will no longer be present on the bill,
23 in relation to the three QCPACs that we just
24 discussed. And, so, that will be removed, and

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1 you'll just have a line for the fixed meter
2 charge and for the volumetric charge associated
3 with the rates approved in this particular
4 docket.

5 Q Okay. Thank you for that explanation. Now,
6 getting back to the issue of not having temporary
7 rates. What part of the Settlement Agreement
8 that DOE and OCA -- or, getting back to the
9 Temporary Rate Settlement Agreement, was one of
10 those terms that DOE and OCA would commit to
11 reviewing their -- conducting their review of the
12 rate case as quickly as they could?

13 A (Ware) Yes.

14 Q Okay. And can you explain for the Commission at
15 what point, and this is looking at cash flow, not
16 having temporary rates, not having any
17 recoupment, as you just explained, is there a
18 breaking point of needing an order and needing
19 that cash from customers, if you can explain?

20 A (Ware) Yes. So, at present, as we're currently
21 operating in 2023, the revenues that are coming
22 in are based on the revenues that were granted to
23 meet the expenses of the pro forma 2018 test
24 year, and also inclusive of the QCPAC charges to

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1 cover the respective investments in capital in
2 2019, '20, and '21. At this stage, the revenues
3 that are coming in, in particular on the expense
4 side, are insufficient to cover the expenses that
5 we are incurring.

6 And, as a result, and as the Company --
7 as the rate process was structured, we are
8 currently withdrawing or we're making up the
9 difference between the revenues that are needed
10 and the expenses that are being incurred by
11 withdrawing money from the RSF accounts.

12 Q Okay. Thank you for that, that background
13 information.

14 Just have the last exhibits to
15 authenticate. And I would like to have you turn
16 to Exhibit 5. And this is Exhibit 5, and there
17 is Parts 1 through 9, just for the record.

18 A (Ware) Okay.

19 Q I just have a couple of general questions first.
20 So, are you familiar with this Exhibit 5?

21 A (Ware) Yes, I am.

22 Q And Exhibit 5 is very similar to Exhibit 4, is
23 that right?

24 A (Ware) Yes.

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1 Q Okay. And did you participate in the drafting or
2 the preparation of this Settlement Agreement?

3 A (Ware) Yes.

4 Q And you're familiar with the terms?

5 A (Ware) Yes.

6 Q And are you aware of any changes or corrections
7 that need to be made to this exhibit?

8 A (Ware) No.

9 Q Okay. So, I'd like to first start out with the
10 substantive term of this Settlement Agreement,
11 and that is the MOEF. And, if I could have you
12 turn to Bates Page 008. And this is the
13 Settlement Agreement. So, it's going to be
14 Part 1 of 9, if you're looking at the document
15 electronically.

16 A (Ware) Okay.

17 Q And just let me know when you're there?

18 A (Ware) I am there.

19 Q Okay. All right. So, with respect to the MOEF,
20 what is the "MOEF"?

21 A (Ware) The "MOEF" is the "Material Operating
22 Expense Factor".

23 Q And was this MOEF generated in the last rate
24 case?

[WITNESS PANEL: Ware|Laflamme]

1 A (Ware) Yes, it was.

2 Q Okay. And did you testify in that last rate case
3 about the need for the MOEF?

4 A (Ware) Yes.

5 Q And can you remind us in more detail what it
6 does, how it functions?

7 A (Ware) Yes. The Material Operating Expense
8 Factor was established to provide adequate cash
9 flow between rate cases, to ensure that the --
10 the goal is that the underlying Rate
11 Stabilization Funds, which, in Pennichuck Water
12 Works, has a combined total of 3.95 million,
13 would not be eroded as a result of normal
14 operations. So, the MOEF is a multiplier times
15 operating expenses, which generally, in today's
16 world, are subject to upward pressure.

17 And, so, when we look at that we model
18 out the projected increase in revenue -- in
19 operating expenses from the test year, and we
20 look at the revenues that are granted as a result
21 of the test year, and the MOEF is designed so
22 that, in the first year outside of the test year,
23 the revenues will exceed the expenses. Those
24 revenues go into the Rate Stabilization Funds.

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1 In the second year, the revenues that
2 were granted with the MOEF are designed to equal
3 the operating expenses in the second year. So,
4 no money into the RSF/no money out of the RSF.

5 In the third year, expenses continue to
6 go up. And the goal is that, in that year, the
7 revenues, which are now three years dated, no
8 longer cover the expenses. But there is -- the
9 money that was set aside in year one, and put
10 into the RSF, is now available and withdrawn from
11 the RSF, so that we can -- the revenues cover the
12 expenses.

13 And the goal is that, at the end of
14 that three-year cycle for rates, when we project
15 through the -- what we would estimate the final
16 rate approval would be, in this case, in the July
17 timeframe of this year, that the residual funds
18 in the RSF, the combined RSF funds, would be the
19 \$3,920,000.

20 Q Now, Mr. Ware, how has the MOEF been -- has it
21 worked as expected since the last rate case?

22 A (Ware) Yes, it has.

23 Q Okay. And, on Page 8, for the term under
24 Section 4, are the Parties in agreement to reduce

[WITNESS PANEL: Ware|Laflamme]

1 this MOEF from its previous 9.5 down to 9.45?

2 A (Ware) Yes.

3 Q Okay. And I think, at this point, it would be
4 helpful for you to turn to the electronic version
5 of your DLW Exhibit 1. And this is Exhibit 5,
6 Part 4 of 9.

7 A (Ware) Okay. I'm there.

8 MS. BROWN: Just for the record, the
9 pdf version of these exhibits, it's Page 217.

10 MS. SCHWARZER: Just to clarify, would
11 Exhibit 5, Part 4 of 9, be titled "Attachment C"?

12 MS. BROWN: Yes.

13 MS. SCHWARZER: Thank you.

14 BY MS. BROWN:

15 Q Now, Mr. Ware, I believe I asked you this, with
16 respect to this DLW Exhibit 1, did you prepare
17 this or was it prepared under your direct
18 supervision and control?

19 A (Ware) Yes.

20 Q And do you have any changes or corrections to
21 this particular exhibit, Attachment C?

22 A (Ware) No.

23 Q Okay. Now, Mr. Ware, with this DLW Exhibit 1,
24 what was the purpose of drafting this schedule,

[WITNESS PANEL: Ware|Laflamme]

1 to show what?

2 A (Ware) This schedule is drafted to show the
3 anticipated cash flow after the completion of
4 this rate case, until the completion of the next
5 rate case, which is -- we're currently, you know,
6 doing rate cases every three years.

7 Q Can you show us, walk through the derivation of
8 the 9.45 on this exhibit? And I'm looking at
9 9.45 being box -- or, Cell M12.

10 A (Ware) Okay. Assuming everybody is looking at
11 the electronic version, I'm going to refer to
12 cell numbers, if that will work for everybody.
13 So, the requested Material Operating Expense
14 Factor is in Cell M12, that's 9.45 percent, and
15 that is the percent that would be applied to the
16 applicable expenses, what we call the "material
17 operating expenses", that were proformed as a
18 result of a 2021 test year, and that is applied
19 to those particular expenses.

20 So, you know, where did the 9.45
21 percent come from? There are a number of
22 important components. First is the component of
23 what we believe the average rate of increase in
24 operating expenses is going to be. And, if you

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1 look at Cell C14, we're projecting an increase of
2 "4.5 percent". The time period that we're
3 looking at over is Cell D13 [D14?], "3 years".

4 So, the logical question is "Where did
5 the 4.50 percent come from?" If we drop down to
6 Rows 52 through 66 -- or, actually, 69, you're
7 going to see a projection of expenses over a
8 five-year timeframe, 2017 through 2022.

9 And I do want to clarify one thing, in
10 Row -- in Cell J52, it says "2022 PWV Actual
11 Estimated Expenses", please strike "Estimated".
12 When this rate case was filed, in the middle of
13 2022, that column was "Estimated Expenses". That
14 is now the "Actual Expenses" incurred by the
15 Company since we closed out for 2022 year.

16 And, if you will, look down at
17 Cell I -- excuse me, J71, or J72, you will see
18 that the average increase over the prior five
19 years of the material operating expenses is 4.46
20 percent. And that was the basis of the "4.5
21 percent" noted up above that we started out with.

22 So, that annual increase is -- is
23 placed on our -- the determined material
24 operating expense in this case. And, if you go

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1 to Cell G12, you'll see that the expense
2 requirement that was determined through the
3 settlement process was "\$24,703,026".

4 Now, the impact of that 4.50 percent
5 increase on the material operating expenses, and
6 I do want to indicate the material operating
7 expenses that we're applying that impact to is
8 not the \$24,703,000 from Cell G12, but it is
9 "\$22,449,048" from Cell M16. Why the difference?
10 Within the material operating expenses is
11 amortization expense. That's not impacted by
12 inflation. We also -- so, that is reduced, so
13 that we're only applying the Material Operating
14 Expense Factor of four and a half percent against
15 expenses -- operating expenses that will actually
16 increase.

17 So, again, if we go to Cell K21, and we
18 take '22's approved expenses or the expenses
19 approved that we're seeking to have approved in
20 this rate case, there's a "\$1,010,207" increase
21 in material operating expenses. And then, if you
22 look at, you know, 2024, a "\$1,055,666" increase.
23 And then, lastly, we project through July of 2025
24 a \$1,103,000 increase. And, so, we're looking at

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1 an increase of expenses of \$3,169,000.

2 And, when you look at those, what
3 happens is you change either the Material
4 Operating Expense Factor or you change the
5 estimate of how much material operating expenses
6 would go up. The goal is, if we go over to Cell
7 S23, is to have a combined RSF balance at the end
8 of the next rate case, when that's completed, of
9 about 3.92 million. And you can see we're at
10 "\$3,917,452". And that is based on our best
11 estimate of, you know, what is going to happen to
12 operating expenses.

13 And, of course, what we don't know in
14 there, and that's the real intent of the
15 underlying RSF accounts, is what are we going to
16 see for weather variability? Our revenues
17 between an average five-year, which is what we
18 look at, we look at the average revenues over
19 five years, not the test year revenues, because
20 they vary substantially, but the average from --
21 potential average from the low to high across a
22 rate case from that five-year average is about
23 \$842,000 a year. And, if you look at Cell L21,
24 you can see the impact of a shortfall in

[WITNESS PANEL: Ware|Laflamme]

1 revenues. And, if we had three bad years in a
2 row, or a "bad year" is from a -- we'll call them
3 "wet years", potentially, we would have a
4 reduction in revenues of about \$2.6 million, if
5 you see Cell L24.

6 So, there's two parts to this. One is
7 the underlying RSF funds were established to deal
8 with weather variability over that three-year
9 timeframe. So, the goal is not to diminish that
10 3.92 million for a number of reasons. One, we
11 want it in the case that cash flow is falling
12 short because of weather. And, secondarily, if
13 you think about, you know, in a standard
14 regulated utility, there's allowance for working
15 capital, which typically is 45 days of capital.
16 And, if we take 45 days of the roughly \$40
17 million that we're seeking, it's a little over
18 \$4 million. So, in fact, the \$3.92 million
19 essentially, in the RSF funds, reflects the
20 working capital that we should have available
21 cash on hand.

22 And, so, again, the MOEF, without the
23 establishment of the MOEF, if we just looked at
24 the operating expenses increasing without the

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1 MOEF, if you look at the total in Cell K24, we
2 would utilize about \$3.2 million of the RSF to
3 cover operating expenses between a rate case,
4 which would mean, without the MOEF, if we had
5 average weather for over that timeframe, the RSF
6 funds would be at zero dollars.

7 And you may recall, in DW 19-084, when
8 we did not have a MOEF, when we came in with that
9 test year, the RSF funds were actually about
10 \$1.2 million in the hole. There was no money in
11 the RSF funds after the completion of that
12 three-year cycle. And, so, the MOEF was
13 established to ensure that we maintain a level of
14 working capital that's acceptable to our lending
15 agencies, and to the rating agencies.

16 And, so, that was the purpose of the
17 MOEF. I've walked through where we came up with
18 the 9.45 percent, that's based on the projected
19 expenses that are projected off of the 2022
20 expenses, and is a projection of increased rates
21 of -- of increased material operating expenses at
22 4.5 percent.

23 Q Thank you very, very much for that explanation.
24 I'm going to ask you a few other questions that

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1 are somewhat redundant to what you just said, but
2 I'd like to have the issue stand alone.

3 With the MOEF now set at 9.45, and then
4 forecasted until the next rate case, based on the
5 Company's calculations, do you expect the RSF
6 accounts to be eroded from their combined imprest
7 level, target imprest level?

8 A (Ware) No.

9 Q Okay. And then, turning to the RSF imprest level
10 term of the Settlement Agreement, which is
11 Section 4.2, if I can direct your attention to
12 that section of the Settlement, can you please
13 explain, I guess, shorter, because you did it to
14 some extent in your explanation of DLW Exhibit 1,
15 why it's important to have the imprest levels
16 that they are? But, if you could just summarize
17 that, why it's important to have the imprest
18 levels for these various RSFs set per the terms
19 of the Settlement Agreement?

20 A (Ware) As I previously explained, the RSF funds
21 really are the equivalent of working capital.
22 That is the cash available to backstop the
23 expenses that we experience. Any banking
24 institution, any lending institution, any rating

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1 agency wants to see a minimum level of available
2 cash or working capital. And that 3.92 million
3 is at the low end of the spectrum of what they
4 would like to see.

5 Q Okay. Thank you very much. Even though it was
6 redundant, I appreciate you responding.

7 If I can have you turn to
8 Paragraph 4.2.3, this is still in Exhibit 5, the
9 Settlement Agreement. So, it would be Part 1
10 of 3 for the electronic document name, and
11 Paragraph 4.2.3.

12 A (Ware) Yes.

13 Q And do you have that paragraph?

14 A (Ware) I do.

15 Q Okay. So, --

16 MS. SCHWARZER: I'm sorry, could you
17 repeat that please?

18 MS. BROWN: 4.2.3. I'm going to ask
19 some questions about the refund to customers,
20 that subject.

21 MS. SCHWARZER: 4.2.3 of the Settlement
22 Agreement?

23 MS. BROWN: Correct.

24 MS. SCHWARZER: Thank you very much.

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1 MS. BROWN: Yes.

2 BY MS. BROWN:

3 Q So, Mr. Ware, with respect to the word that -- do
4 you see the word "refund" in there?

5 A (Ware) Yes.

6 Q Mechanically, how is that treated? It's not a
7 refund on customer bills, correct?

8 A (Ware) No. What it does is, it's a reduction in
9 the revenue requirement that we are seeking. So,
10 in this particular case, based on the revenue
11 requirement in the MOEF that was granted in DW
12 19-084, the projection was or the hope was to end
13 up with an RSF balance at 3.92 million. We
14 happened to have two drought years between that,
15 the 2018 test year and the 2021 test year, which
16 was 2020 and 2022, since we take '22 into account
17 when we're looking at the RSF balances. And the
18 result was that, as we looked at the RSF balance
19 as of December 31st, 2022, it stood at 5.188
20 million, which is 1.268 million above the desired
21 imprest level.

22 Per the previous rate case settlements,
23 we had made a determination that, if the RSF
24 balance was either underfunded or overfunded,

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1 that the mechanism to either return the
2 over-collected amount or to collect the
3 underfunded amount would be through a three-year
4 either debit or credit to the revenue requirement
5 being sought in that rate case.

6 In this case, the determination was, at
7 the end of 2022, again, we had an excess amount
8 of cash in the RSF amounts of \$1,268,612, when
9 you divide that by three, it results in the
10 \$422,871 amount, which, when you look at the rate
11 case schedules, you would see is a reduction in
12 the revenue requirement. So, we came up with a
13 revenue requirement, and then we reduced that
14 revenue requirement by \$422,871, which
15 effectively is -- that's that much less than we
16 had settled on, as far as the revenue
17 requirement. So, we are actually
18 under-collecting the revenue requirement by that
19 amount for three years, with the goal, at the end
20 of three years, to be as close as practical to
21 the RSF balance of 3,920,000.

22 Q Thank you, Mr. Ware. And, with respect to
23 Attachment H to the Settlement Agreement, is
24 Attachment H the series of the 1604 schedules

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1 where this calculation, through iterations of
2 discovery, was ultimately arrived at on the last
3 page of H, --

4 A (Ware) Yes.

5 Q -- the numbers you were just describing? I just
6 wanted to tie that to the record evidence. Thank
7 you.

8 MS. SCHWARZER: Just for the record, is
9 the last page of Attachment H Bates stamped
10 "613"?

11 MS. BROWN: Yes.

12 MS. SCHWARZER: Thank you.

13 BY MS. BROWN:

14 Q Mr. Ware, if I can next move on to the subject of
15 the customer impact, and the average residential
16 ratepayer impact?

17 A (Ware) Yes.

18 Q I'll just get to that. And this is, for the
19 record, on Page 12 of the Settlement Agreement,
20 the Settlement Agreement being "Exhibit 5", and
21 this is going to be in Part 1 of 9 of the
22 electronic files.

23 And, with respect to 4.4.2, Mr. Ware,
24 that paragraph, can you just please summarize the

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1 impact to the average residential ratepayer?

2 A (Ware) Yes. The current average monthly base
3 charge, so this is not including the 7.25 percent
4 QCPAC surcharge, is \$55.46 a month, and that is
5 based on the average single-family residential
6 household using 7.76 hundred cubic feet of water
7 per month.

8 Based on the permanent rates being
9 sought with an overall increase of 10.2 percent,
10 when we apply that against the current rates, it
11 translates into an average single-family monthly
12 bill of \$61.27, again, based on 7.76 hundred
13 cubic foot of usage per month.

14 Q Thank you very much. If I can have you turn to
15 Attachment A to the Settlement, and Attachment A
16 is Exhibit 5, Part 2 of 9, that's the electronic
17 name of the document. And, for the *pdf*, I'm
18 looking at Page 27, Bates Page 027. And it's
19 entitled "Schedule 4 Report of Proposed Rate
20 Change".

21 A (Ware) Yes.

22 Q Okay. So, you're there. Okay. Now, Mr. Ware,
23 we talked earlier about this overall "10.20
24 percent" increase. Can you please explain why

[WITNESS PANEL: Ware|Laflamme]

1 the various customer classes have the "10.51"?

2 A (Ware) Yes. So, when you look at the referenced
3 Attachment A, Schedule 4, on Bates Page 027,
4 you'll see that certain rates, certain customer
5 class rates are not subject to a rate increase.
6 In particular, the special contracts that we have
7 have a fixed portion of that contract, which is
8 associated with the servicing of the capital that
9 isn't changing relative to the water treatment
10 plant or the delivery facilities providing
11 service to those special contracts. Hence, you
12 know, there is no increase in those expenses.
13 But they are in the overall -- in those revenues,
14 but they are in the overall revenue requirement.
15 So, when you do not apply the increase, the
16 overall increase sought of 10.20 percent to those
17 particular contract charges, the remaining
18 revenues have to be increased by 10.51 percent to
19 get us to the desired overall revenue requirement
20 that we agreed to as part of this Settlement.

21 Q Okay. Now, Mr. Ware, where there are sections
22 for zero percent increase, they all fall
23 underneath the special contracts customers, is
24 that correct?

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1 A (Ware) Yes.

2 Q And is it that these special contracts have
3 previously been approved by the Commission, and
4 it's only the volumetric that would be changing
5 in rate cases, not the fixed charges?

6 A (Ware) So, the volumetric changes, as does some
7 of these special contracts have meter charges in
8 them, and the meter charges are also impacted by
9 the increase being sought.

10 Q But there are some charges that aren't touched by
11 the rate case, is that correct?

12 A (Ware) That is correct.

13 Q Okay. Now, Mr. Ware, just because the special
14 contract customers are listed here, these
15 contracts are not up for re-approval here in this
16 rate case, is that correct, other than the
17 volumetric change?

18 A (Ware) That is correct.

19 Q Thank you. And, Mr. Ware, can you just please
20 summarize what's the policy reason behind why the
21 volumetric component of these and the meter
22 charges components of these special contracts or
23 some of these special contracts change?

24 A (Ware) So, those charges, both volumetric and

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1 meter charges, are associated with expenses that
 2 do increase over time. There are labor
 3 components, there are chemicals, there's
 4 electricity. And, so, those components are
 5 increasing. And, as a result, the associated
 6 volumetric charges and meter charges are, per
 7 each one of the contracts that have been approved
 8 by the PUC, special contracts, are subject to the
 9 same increase as is applied against the General
 10 Metered customer in each rate case.

11 Q Thank you very much. If I can have you move on
 12 to Section 4.5.1, this is on the *pdf*, Bates Page
 13 012 of Exhibit 5. And it's Part 1 of 9., if you
 14 need the electronic filename. Again, Paragraph
 15 4.5.1.

16 A (Ware) That's in the Rate Settlement?

17 Q Yes. Exhibit 5, yes.

18 CMSR. SIMPSON: And the page please?

19 MS. BROWN: Bates Page 012. Section
 20 4.5, "No Additional Rate Design Changes."

21 **BY THE WITNESS:**

22 A (Ware) And, excuse me, Part 1 -- Part what of 9?

23 BY MS. BROWN:

24 Q It should be Part 1. Part 1 has the Settlement

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1 in it.

2 A (Ware) Okay. And, again, the referenced page
3 number is "12"?

4 Q Correct. Yes. And Paragraph 4.5.1.

5 A (Ware) Yes, I'm there.

6 Q Okay. Great. Thank you very much. Can you
7 please explain for the record why the rate design
8 changed for Municipal Fire Protection from the
9 Company's last rate case, how it interacts with
10 this particular rate increase?

11 A (Ware) Yes. As part of DW 19-084, we had a cost
12 of service study that was completed. That cost
13 of service study determined that the amount of
14 revenues being collected from the Municipal Fire
15 Protection component or customer was insufficient
16 relative to the overall revenue requirement. As
17 part of that rate case, there was a settlement
18 between all the parties that were involved, which
19 did involve a number of communities, such that
20 the change or increase in fire protection
21 revenues, instead of all happening as part of
22 that rate case, would occur over a period of six
23 years; where each year the Municipal Fire
24 component of the overall revenue requirement

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1 would go up by 3 percent, and, correspondingly,
2 there would be a reduction in the volumetric and
3 meter charges associated of about a half a
4 percent. But the goal was that they would
5 balance out to produce the same revenue
6 requirement approved in the rate case.

7 The agreement was that it would be a
8 six-year timeframe. It would happen every
9 November. And it would -- that 3 percent
10 reduction would apply to the municipal -- or, an
11 increase, my apologies, the increase, the 3
12 percent increase over six years in the Municipal
13 Fire Protection would apply to the rates that
14 were in effect at that time.

15 So, in this particular case, we're
16 going to have new rates established, above and
17 beyond the rates approved in DW 19-084, for
18 Municipal Fire, those rates went up by 3 percent
19 in 2021, November 2021, and again in November of
20 2022. In November of 2023, the 3 percent
21 increase in Municipal Fire rates will be applied
22 against the current rates that are in effect as
23 of today. So, that is inclusive of the previous
24 3 percent increases. And, so, that will continue

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1 on until the next rate case, in which -- at what
2 time there will be a cost of service study to
3 hopefully show that the respective collections
4 from each of the customer classes is in line with
5 the cost of service to each of those customer
6 classes.

7 Q Thank you very much. Mr. Ware, I'd like to ask
8 you about the miscellaneous fees. And, first
9 off, did the Company file, in earlier of 2022, to
10 change its miscellaneous utility service fees?

11 A (Ware) Yes.

12 Q And what was the resolution of that docket?

13 A (Ware) The resolution was that we would address
14 the change in miscellaneous utility fees as part
15 of a rate case.

16 Q Okay. And, subject to check, was that prior
17 docket DW 22-002?

18 A (Ware) Yes.

19 Q Now, I'd like to have you turn to Attachment G.
20 And this is Exhibit 5, Document Number -- or,
21 document title "8 of 9". It's Bates 607 on the
22 pdf of the Settlement Agreement. Are you there?

23 A (Ware) I am there.

24 Q Okay. Part of the resolution of DW 22-002, was

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[WITNESS PANEL: Ware|Laflamme]

1 it to keep certain fees static, keep them the
2 same, and not increase them?

3 A (Ware) Yes.

4 Q And which of those fees, if you can point out in
5 the tariff page here?

6 A (Ware) So, if we look at the tariff page that is
7 a redline, and it is on Bates Page 607, and we
8 look at Paragraph D, the "Collection Fee", and
9 that is for nonpayment. So, if there is a
10 shut-off that's going to occur or a turn-on
11 that's going to occur associated with
12 collections, the fee that is currently in effect
13 is \$46 for collections during regular business
14 hours, \$63 for collections during non-regular
15 business hours. The agreement was is that those
16 fees would not change as part of the change to
17 the miscellaneous fee structure.

18 Q Mr. Ware, do you recall when Pennichuck last
19 changed these fees?

20 A (Ware) With the exception of the addition of the
21 Merrimack Source Development Charge, these last
22 fees were last updated in 1999.

23 Q Okay. Now, if I could have you flip back to your
24 testimony, this is Exhibit -- or, Exhibit 2, and

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1 it's Bates Page 064. It's your prefiled direct
2 testimony.

3 A (Ware) And, again, could you please refer me to
4 Part 1 of 9, 2 of 9?

5 Q Yes. I believe it's Part 1, but let me just --
6 no, this is three parts. So, it's Part 1 of 3.
7 So, if I -- when I'm saying "1 of 3", --

8 A (Ware) Okay, I have it.

9 Q -- it's the file name.

10 A (Ware) Yes, I have it.

11 Q Okay. So, on Page 64, starting at Line 16, do
12 you talk about the agreement not to change
13 certain fees?

14 A (Ware) Yes.

15 Q And, when you just described the Paragraph D,
16 "Collection Fees", are these the fees that were
17 agreed to to not change when these fees are
18 associated with the charges in C?

19 A (Ware) Yes.

20 Q Okay. So, that was the -- that's your
21 interpretation of Page 64, when you were talking
22 about the fees?

23 A (Ware) Correct.

24 Q Okay. Thank you. I'd like to have you speak to

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1 the policy reason why these -- there are separate
2 fees for these particular charges, as opposed to
3 the general revenue requirements?

4 A (Ware) Yes. So, the general policy is these fees
5 are attributed to services that are not typically
6 part of the services that the utility provides to
7 all of its customers. And they are meant to be
8 pure cost recovery. They are meant to reflect
9 the actual cost of providing that service. For
10 instance, if a plumber calls, and they want to do
11 work on the customer's side of the curb stop,
12 repair a leak, they would call and ask that the
13 service be shut off; we would go out and shut
14 that service off. And there is a fee associated
15 with shutting that service off.

16 And, so, that fee is, again, meant to
17 be cost-based, based on the average amount of
18 time, the wage rates in effect at the time, the
19 associated truck cost, to effect that shut-off.
20 And, you know, that labor is part of Pennichuck
21 Water Works' labor pool. And, if those fees were
22 not collected, then the expenses would be part of
23 the revenue requirement associated with the
24 utility.

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1 The fees that we collect reduce the
2 overall revenue requirement that we collect from
3 the General Metered class of customers, from that
4 group of customers. And, so, again, the goal,
5 and it was actually brought up as part of a PEU
6 rate filing in 2020, was to update those fees, so
7 that they would be reflective of the current true
8 cost of service to provide the various
9 miscellaneous fee structures that are there.

10 Q And that increase is to prevent any further
11 subsidy from the general revenue requirement,
12 correct?

13 A (Ware) That is correct.

14 Q Okay. Now, in determining these rates, did you
15 conduct a calculation?

16 A (Ware) Yes, I did.

17 Q And can you please turn to Exhibit 6, if you have
18 that in front of you? It was a recently filed
19 exhibit.

20 A (Ware) Bear with me, please. I'm trying to find
21 it.

22 Q I can also give you a hard copy?

23 A (Ware) I have Exhibit 6 open now.

24 Q Okay. Great. Thank you very much. Was this

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1 exhibit prepared by you, under your direction or
2 direct supervision and control?

3 A (Ware) Yes.

4 Q And do you have any changes or corrections to
5 make to this document?

6 A (Ware) No, I do not.

7 Q Okay. And, with respect to the chart, can you
8 just walk through the components of how -- what
9 you considered in arriving at the new rate for
10 the miscellaneous utility fees that are being
11 changed?

12 A (Ware) Yes. So, in the tariff sheet itself that
13 we're proposing, you see different miscellaneous
14 services that we collect fees on. The initial
15 area is what we used to -- it was generically
16 termed "Initiation of Service", and that had one
17 fee. But, in fact, there are two types of
18 initiation of services, which is why you see the
19 breakout in fees.

20 The first, Part 1, if you look at
21 Exhibit 6, is when it's a "New Service
22 Application". With a new service application,
23 each service has to be sized based on the demand
24 of the customer by our Engineering Department.

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1 So, the engineer collects the information on the
2 number and types of fixture units, the length of
3 the service, the area pressure, and calculates
4 what size the service should be.

5 In addition, there is an application
6 that needs to be processed, and the customer
7 record is set up for the very first time, the
8 address, and all of the reflective information in
9 our customer service package. And, so, you see
10 the allocated time, and that is an average amount
11 of time, and the associated rates with the direct
12 overhead associated with those rates. So, that's
13 the direct hourly rate, plus their benefits,
14 things like medical insurance, dental insurance,
15 those various components, vacation, sick leave.
16 And, as a result, you see a fee of \$108 for a new
17 service application.

18 Then, we have the "Transfer of Service.
19 It's an existing service, it has an existing
20 customer. And a new customer calls in and says
21 "Hey, I am buying 23 Main Street. I'd like to
22 transfer the service from John Brown to my name,
23 and what does that take?" So, again, you see
24 there the reflective tasks. So, there's an

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1 incoming call to a customer service rep who
2 handles that call, updates the records, sets up a
3 work order for a meter tech to go out and capture
4 a final read. On any transfer of service, we
5 need to bill the old customer for their usage,
6 and start a new billing record based on the new
7 customer. And, so, again, you see that process
8 of going through the transfer of service, and
9 that equates to that "\$30".

10 And, if we go on, without going into
11 great detail, we have the "Service Pipe
12 Connection". You know, that was a stand-alone
13 part of the miscellaneous fees. That is the
14 portion of work associated with the customer
15 putting in their side of the service from the
16 street, the curb stop, into their house. Since
17 there is no meter on that line, we need to be out
18 there and inspect it, also to protect the
19 customer, to make sure it's the proper materials,
20 it's at the proper depth, and it's properly
21 vetted and installed, so that there is no risk of
22 leakage or premature failure. And that's a fee
23 that's associated with, again, typically, a
24 customer or a contractor calling and saying "I

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[WITNESS PANEL: Ware|Laflamme]

1 want to put in a service to a particular
2 location." So, again, a calculated fee based on
3 the time to effect the work.

4 The next set of fees, Section C, are
5 associated again with request to connect or
6 disconnect the water service during regular hours
7 or non-regular hours. Requests typically coming
8 in from plumbers or homeowners to have their
9 water shut off at the customer's request.

10 Section D, which is the one where we
11 held the existing fee, and that was based on
12 discussions with Staff and the OCA, are
13 associated with a disconnection or reconnection
14 where the customer has not paid their bill. They
15 have been sent notice of disconnect. They have
16 not called in and made payment arrangements.
17 And, so, unfortunately, you reach a point where
18 you have to turn the service off sometimes to
19 gain the awareness or attention of the customer.
20 Those fees did not change. You know, and, again,
21 if you look up above, to effect those disconnects
22 or reconnects associated with nonpayment are the
23 same as those requested by an actual customer who
24 is requesting it for their own purposes, other

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[WITNESS PANEL: Ware|Laflamme]

1 than lack of payment.

2 But we held those fees, because those
3 are people who we all agree are struggling to pay
4 their bill. So, you know, increasing the amount
5 they pay was going to be problematic. And,
6 again, those are the same fees that have been in
7 effect since 1999.

8 We go in to the next area, which is
9 "Returned Check", that's simply the cost of a
10 returned check. When a check doesn't clear,
11 that's what the banks are currently charging.

12 And then, lastly, we oversee any new
13 main extension, our Engineering Department, they
14 review the design being completed by the
15 developer's engineer. They go out -- we go out
16 and physically inspect the installation of the
17 new water main. And then, we develop what's
18 called the "as-built". The final record of the
19 actual water main that went in, where it went in,
20 the actual assets that were contributed by the
21 developer for our asset management records. And
22 that is, again, the cost, on average, associated
23 with carrying out that function. All those,
24 again, are based on the 2022 rates that are in

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[WITNESS PANEL: Ware|Laflamme]

1 effect for the various, you know, levels of
2 employees, again, with direct overhead. So, pure
3 cost-based recovery.

4 Q Thank you, Mr. Ware. With respect to Section F,
5 the "Design Review", there were the words added
6 "Design Review" and "As-Built Review". Was that
7 to be more clear to customers what types of
8 reviews Engineering does?

9 A (Ware) We expanded on that definition to be clear
10 what the services are that we are providing. You
11 know, at one point there were -- you know, some
12 developers came in and anticipated that we would
13 design the water main. We don't design the water
14 main, their engineer does. The fee would be
15 significantly higher if we had to design the
16 water main. And also, so, this was to clarify
17 that we will review your design. We will inspect
18 the work as your -- as the developer's contractor
19 puts the physical water main in. And then, from
20 that, we will develop the as-built records of
21 what went in, since we're carrying out the
22 inspection.

23 Q Thank you for that clarification. Now, moving on
24 to the effective date, does the Settlement

[WITNESS PANEL: Ware|Laflamme]

1 Agreement set an effective date for rates?

2 Or, is it just when the Commission
3 approves the permanent rates?

4 A (Ware) Well, it would be when the Commission
5 approves the permanent rates.

6 Q Okay. And I believe you've already testified as
7 to when the parties are expecting an order, is
8 that by late July?

9 MS. SCHWARZER: Objection. The Company
10 may be expecting an order by a date certain. I
11 don't believe the Settling Parties have discussed
12 that topic.

13 MS. BROWN: Thank you for that
14 correction.

15 BY MS. BROWN:

16 Q I'd like to suss out the Company's perspective
17 with its cash flow, and getting an order and
18 having it hit customer bills. If you could just
19 please explain, Mr. Ware, what your expectation
20 is?

21 A (Ware) Yes.

22 Q Thank you.

23 A (Ware) So, all the calculations were associated,
24 in the Settlement, were based on cash balances as

[WITNESS PANEL: Ware|Laflamme]

1 of July 31st, 2023. If we, you know, do not have
2 an order, an approval of the tariff rates by that
3 date, as I already mentioned, we're now in a
4 position where the revenues are less than the
5 expenses, there will be a further erosion of the
6 underlying RSF balance, which we used as a
7 starting point to calculate where that would be
8 in three years from now.

9 And, so, it's very important, you know,
10 especially during the summer months, the result
11 of not having the permanent rates in effect as of
12 the end of July would be an erosion of about
13 \$150,000 a month, that being the difference
14 between the permanent rates that we're seeking in
15 this Settlement, and the current collection of
16 the QCPAC revenues.

17 MS. BROWN: Thank you, Mr. Ware. And,
18 thank you, Attorney Schwarzer, for that
19 correction.

20 BY MS. BROWN:

21 Q I'd like to move on to rate case expenses, Mr.
22 Ware. And what is the Company's understanding of
23 rate case expenses, once permanent rates are
24 approved, so that we know the effective date?

[WITNESS PANEL: Ware|Laflamme]

1 A (Ware) So, we will submit to the Commission for
2 an evaluation of the associated expenses with
3 this rate case, which are, you know, a
4 combination of attorney's fees, as well as print
5 house fees, various notifications, notification
6 of the case, at the end notification to customers
7 of the final order. And, so, we submit all the
8 expenses incurred as part of the rate case for
9 examination by the Commission, in particular, the
10 DOE Staff. They evaluate that, determine that
11 those -- what the correct total of the allocable
12 rate case expenses are. That total then gets
13 divided by the number of customers, each customer
14 pays a equivalent share, whatever that might be,
15 and then that is paid over twelve months.

16 So, if it's deemed that, as a for
17 instance, there was \$100,000 of rate case
18 expense, and I'll keep it simple, there were
19 10,000 customers, and these are not the real
20 numbers, but that would be a \$10 rate case
21 expense. And then, that \$10 would be divided by
22 12, and applied after approved, as a separate
23 line item on the bill for rate case expense
24 collection.

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[WITNESS PANEL: Ware|Laflamme]

1 Q Thank you, Mr. Ware. In that, in your response,
2 you mentioned "print house expenses". Can you
3 just elaborate a little bit more on how you use a
4 print house, how many customers you have, the
5 benefits of using a print house?

6 A (Ware) Yes. So, we have just shy of 29,000
7 customers in Pennichuck Water Works. There was a
8 time where we would produce our bills internally,
9 stuff our bills internally, and mail them out.
10 That was back -- back many moons ago, when we
11 were billing on a quarterly basis.

12 Based on the number of customers, the
13 frequency of billing, and the purchasing power,
14 in particular, print houses, and they have very
15 high-end equipment that is very good at, you
16 know, stuffing and getting bills out, it's more
17 cost-effective for us to use a print house. We
18 send them a bill file. They process that bill
19 file. They produce and print the individual
20 bills, where we are still mailing them. And they
21 stuff those bills in envelopes, along with a
22 return envelope, and mail them out, and cover the
23 print cost. They manage the mailing of those, so
24 that we get the bulk mailing benefit as well.

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[WITNESS PANEL: Ware|Laflamme]

1 Q Thank you. And, when you mail these out to your
2 customers, is it one lump-sum or is it over a
3 period of time through the month?

4 A (Ware) So, each -- in Pennichuck Water Works,
5 there are four billing cycles per month. And,
6 so, notifications for bills go out over a period
7 of four weeks.

8 Q Okay. And this gets into the effective date.
9 When the Commission issues an order for an
10 effective date, for the permanent rates, how does
11 that sequence into your pattern of issuing your
12 bills?

13 A (Ware) So, again, you know, the effective date
14 currently would be on a service-rendered basis.
15 And, so, when we have an effective date, and when
16 we have, you know, the approved tariff, we would
17 then take each bill based on where it falls in
18 the billing cycle, and relative to the effective
19 date, if there were ten days prior to the
20 effective date in that billing cycle, and twenty
21 days after, the first ten days would be billed at
22 the existing rates, and the remaining twenty days
23 would be billed at the new rates.

24 And then, the same thing with each

[WITNESS PANEL: Ware|Laflamme]

1 billing cycle. We analyze the date that the bill
2 goes out in relation to the effective date, and
3 split the bill ratably between the pre- and
4 post-effective date portion of the bill.

5 Q Thank you for that explanation of the
6 calculation.

7 Mr. Ware, in conclusion, do you have an
8 opinion on the just and reasonableness of the
9 revenue requirement, the miscellaneous fees, the
10 rate increases that the customers will see on the
11 Report of Proposed Rate Change, and whether these
12 are all just and reasonable?

13 A (Ware) Yes, I do. I believe that the proposed
14 rates and fees that are in the Settlement are
15 just and reasonable.

16 MS. BROWN: Okay. Thank you. I have
17 no further direct questions. But I believe
18 you're staying on the stand for the
19 Commissioners' questions and DOE.

20 Thank you.

21 CMSR. SIMPSON: Great. Thank you. I
22 think I'd like to take a ten-minute break. This
23 is a natural point. Let's reconvene at 10:35.
24 Off the record.

[WITNESS PANEL: Ware|Laflamme]

1 protection classes going up, the rates going up
2 by 3 percent, is that correct?

3 A (Ware) Yes.

4 Q And I recall that you said that the rates were a
5 3 percent increase in 2021 and 2022?

6 A (Ware) Yes.

7 Q And those changes are made in November?

8 A (Ware) Yes.

9 Q So, here was my confusion, and perhaps this was
10 not your statement. But I recall your saying
11 that, "in November of 2023, the 3 percent
12 increase would apply to the rates in effect now."
13 And I believe they will apply to the rates then
14 in effect, right, the new rates?

15 A (Ware) That is -- that is correct. If I said
16 "the rates in effect now", that would have been a
17 mistake. So, the 3 percent increase in November
18 of 2023 will apply against the rates approved in
19 this rate case for Municipal Fire.

20 Q As we set them out in the Settlement
21 Agreement, --

22 A (Ware) Yes.

23 Q -- and expect them to be implemented --

24 A (Ware) Yes.

[WITNESS PANEL: Ware|Laflamme]

1 Q -- before November of 2023?

2 A (Ware) Yes.

3 MS. SCHWARZER: Okay. Thank you so
4 much.

5 WITNESS WARE: You're welcome.

6 BY MS. SCHWARZER:

7 Q Mr. Laflamme, could you please describe your
8 involvement with this docket?

9 A (Laflamme) Yes. I examined the Company's rate
10 filing, in conjunction with the books and records
11 on file with both the Commission and the
12 Department of Energy, regarding Pennichuck Water
13 Works. I participated in the discovery process,
14 namely formulating data requests, reviewing data
15 responses, and I participated in technical
16 sessions. I also participated in the drafting of
17 the Settlement Agreement that is being presented
18 this morning.

19 And I have also materially participated
20 in previous dockets in other rate cases relative
21 to the ratemaking methodology reflected in the
22 Settlement Agreement. And those would be DW
23 11-026, which was the acquisition docket; DW
24 13-130; DW 16-806; and DW 19-084, which were all

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[WITNESS PANEL: Ware|Laflamme]

1 previous rate cases.

2 Q Mr. Laflamme, in Mr. Ware's testimony, he
3 referenced dockets with regard to the QCPAC. And
4 I wonder if you participated in those as well? I
5 can give you the numbers: DW 20-020, DW 21-023,
6 and DW 22-006.

7 A (Laflamme) Yes. I did.

8 Q Thank you. Could you -- I'd like to direct your
9 attention to the Permanent Rate Settlement
10 Agreement, which previously referred to by
11 Attorney Brown, and marked for identification as
12 "Exhibits 4" and "5". I'm going to be speaking
13 about Exhibit 5, which is the confidential
14 Settlement Agreement. Do you have that document
15 in front of you?

16 A (Laflamme) Yes, I do.

17 Q Okay. And could you please just identify it for
18 the record?

19 A (Laflamme) Yes. This is the Settlement Agreement
20 between the Company, the Department of Energy,
21 and the Office of Consumer Advocate, in this
22 proceeding regarding permanent rates.

23 Q And did you assist in the preparation of this
24 document?

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[WITNESS PANEL: Ware|Laflamme]

1 A (Laflamme) Yes, I did.

2 Q And you've heard Mr. Ware's testimony for PWW?

3 A (Laflamme) Yes.

4 Q And do you agree with his statements?

5 A (Laflamme) Yes.

6 Q Are there any refinements or comments you want to
7 make with regard to his comments at this time?

8 A (Laflamme) I don't have any. No.

9 Q Thank you. So, is the information contained in
10 Exhibit 5, and the redacted version, Exhibit 4,
11 true and accurate to the best of your knowledge?

12 A (Laflamme) Yes.

13 Q Turning to Exhibit 5, Bates Page 010 and 011.

14 A (Laflamme) Yes.

15 Q I'm going to catch up with you. Section
16 Paragraph 4.3, "Revenue Requirement", it states
17 that the Parties agree to an overall revenue
18 requirement for PWW of "\$40,736,437", is that
19 correct?

20 A (Laflamme) That is correct.

21 Q And it states that the overall revenue
22 requirement of \$40,736,437 consists of "proposed
23 revenues from base rate of \$40,143,045 and other
24 operating revenues of \$593,392." And that the

[WITNESS PANEL: Ware|Laflamme]

1 proposed revenues from base rates represent an
2 increase of "\$3,714,300", from that reflected in
3 pro forma test year, or "10.20 percent", is that
4 correct?

5 A (Laflamme) That is correct.

6 Q And it indicates that the derivation of this
7 proposed increase can be found in Attachment A,
8 Bates Pages 018 to 027 to the Agreement, is that
9 correct?

10 A (Laflamme) That is correct.

11 Q And, Mr. Laflamme, did you prepare Attachment A?

12 A (Laflamme) Yes, I did.

13 Q And the Company, PWW, reviewed and accepted and
14 supports Attachment A?

15 A (Laflamme) Yes, they do.

16 Q As does the OCA, to the best of your knowledge?

17 A (Laflamme) Yes.

18 Q Turning your attention to Attachment A, which is
19 Exhibit 5 -- excuse me, Attachment A to the
20 Settlement Agreement, Exhibit 5, starting at
21 Page 18. Could you please briefly walk us
22 through the calculation of the proposed revenue
23 requirement contained in Attachment A and as
24 recently summarized in your testimony?

[WITNESS PANEL: Ware|Laflamme]

1 A (Laflamme) Yes. I would direct your attention to
2 the summary schedule contained on Bates Pages 018
3 and 019, which provides a comparison of the
4 calculation of the permanent rates as originally
5 proposed by the Company in this case, based on
6 its filing for permanent rates. And that's in
7 the -- you can find that in the left-hand column.
8 And also, it provides the calculation of
9 permanent rates proposed in this Settlement
10 Agreement, which is in the right-hand column.

11 Lines 1 through 17 of the summary
12 schedule contain the three components of
13 Pennichuck Water Works' ratemaking mechanism, as
14 previously approved by the Commission. These
15 components are the City Bond Fixed Revenue
16 Requirement, or CBFRR, found on Line 1; the
17 Operating Expense Revenue Requirement, or OERR,
18 calculated on Lines 2 through 13; and the Debt
19 Service Revenue Requirement, or DSRR, calculated
20 on Lines 14 through 16. Together, the three
21 components sum to an amount of "\$41,159,308", and
22 that is on Line 17 of the summary schedule.

23 As indicated in Section 4.2, on Bates
24 Pages 009 and 010 of the Settlement Agreement,

[WITNESS PANEL: Ware|Laflamme]

1 and previously discussed this morning by Mr.
2 Ware, the agreed upon annual Rate Stabilization
3 Fund refund of "\$422,871", which is on Line 18,
4 is subtracted from the sum of the three
5 components, resulting in the overall proposed
6 revenue requirement of "\$40,736,437", on Line 19
7 of Bates Page 018.

8 Going to the next page, Bates 019, on
9 Lines 20 through 22, that shows the breakdown of
10 the overall proposed revenue requirement between
11 other operating revenues of "\$593,392", on
12 Line 21, and the proposed revenues from base
13 rates of "\$40,143,045", on Line 22.

14 Lines 22 through 24, on Bates Page 019,
15 shows that, when compared to the *pro forma* test
16 year water revenues derived from base rates of
17 "\$36,428,745", on Line 23, this represents a
18 proposed increase of "\$3,714,300", or "10.20
19 percent", and that's shown on Line 24.

20 Q Thank you. And, with regard to the calculations
21 of the individual revenue components, and
22 specifically the calculation of the proposed
23 Material Operating Expense Factor, or MOEF,
24 previously discussed in Section 4.1, Bates

[WITNESS PANEL: Ware|Laflamme]

1 Page 008 of the Settlement Agreement, could you
2 please walk us through that calculation?

3 A (Laflamme) Yes. I would turn your attention back
4 to Lines 2 through 13 of the summary schedule of
5 Attachment A, located on Bates Page 018. Lines 2
6 through 6 contain the proposed *pro forma*
7 operating expense components consisting of the
8 O&M Expenses of "\$17,832,374", on Line 2;
9 Property Tax Expense of "\$4,276,013", on Line 3;
10 Payroll Tax Expense of "\$783,124", on Line 4;
11 Amortization Expense of "\$132,543", on Line 5;
12 and Income Tax Expense, which is basically the
13 New Hampshire Business Enterprise Tax, of
14 "\$104,171", on Line 6.

15 The sum of these components, or
16 "\$23,128,225", shown on Line 7, represents PWW's
17 total *pro forma* operating expenses. And these
18 expenses are shown in more detail on Schedule 2
19 of Attachment A, Bates Pages 021 through 022.

20 Lines 8 through 12 contain the
21 calculation of the proposed Material Operating
22 Expense Factor, or MOEF. First, "\$546,634" of
23 designated Non-Material Operating Expenses, on
24 Line 8, and that's derived from Schedule 2b of

[WITNESS PANEL: Ware|Laflamme]

1 Schedule A, and the total Pro Forma Amortization
2 Expenses of "\$132,543", on Line 9, are subtracted
3 from the Total Operating Expense amount. And
4 this results in a Material Operating Expense
5 Subject to the MOEF of "\$22,449,048", located on
6 Line 10. And, to that amount, the agreed upon
7 MOEF percentage of "9.45 percent", on Line 11, is
8 applied, resulting in a calculated MOEF amount of
9 "\$2,121,436", on Line 12.

10 When that amount is added to the Total
11 Operating Expenses of "23,128,225", from Line 7,
12 the result is the total proposed Operating
13 Expense Revenue Requirement of "\$25,249,661",
14 shown on Line 13.

15 Q So, the proposed revenue requirement includes
16 debt service and operating expenses, such as
17 property taxes related to capital improvements
18 placed in service during the years 2019 to 2021,
19 is that correct?

20 A (Laflamme) That is correct.

21 Q And are PWV's 2019 to 2021 plant investments, as
22 outlined here, prudent, useful and useful, as
23 required by RSA 378:28?

24 A (Laflamme) Yes. As previously discussed by Mr.

[WITNESS PANEL: Ware|Laflamme]

1 Ware, the Company's 2019 through '21 -- 2021
2 plant investments were the subject of its QCPAC
3 filings in DW 20-020, DW 21-023, and DW 22-006,
4 where a thorough review and audit were conducted
5 of the plant investments in those dockets, after
6 which the Commission issued orders in all three
7 dockets, finding that the proposed plant
8 investments in each case were prudent, used and
9 useful, and approving QCPAC revenues, which, for
10 purposes of *pro forma* test year, total
11 "\$2,563,362", and that's shown on Bates Page 019,
12 Line 25.

13 Q Thank you. And, just for the record, if you
14 could confirm for me the Commission orders, I'm
15 going to identify them to you, that approved the
16 review of the QCPACs at issue in the dockets that
17 you identified: That was Order Number 26,555,
18 from December 9th, 2021, in Docket DW 20-020. Is
19 that correct?

20 A (Laflamme) That is correct.

21 Q And it was Order Number 26,598, from March 29th,
22 2022, in Docket DW 21-023. Is that correct?

23 A (Laflamme) That is correct.

24 Q And then, lastly, it was Order Number

[WITNESS PANEL: Ware|Laflamme]

1 26,598 [26,697?], from October 11th, 2022, in
2 Docket Number DW 22-006. Is that correct?

3 A (Laflamme) That is also correct.

4 Q Okay. Thank you. Now, concerning the previously
5 approved QCPAC revenues that you just
6 mentioned --

7 [Cellphone ringing.]

8 MS. SCHWARZER: Excuse me for that
9 interruption. I'm going to start that question
10 again.

11 BY MS. SCHWARZER:

12 Q Concerning the three, these previously approved
13 QCPAC revenues that you just mentioned, doesn't
14 the Settlement Agreement indicate that these
15 revenues will actually be subsumed into the
16 proposed revenues from base rates of
17 "\$40,143,045", from Line 22?

18 A (Laflamme) Yes. And, as a result, as shown on
19 Lines 24 through 26 of Attachment A, on Bates
20 Page 019, Pennichuck Water Works realized
21 increase in water revenues will actually be
22 "\$1,150,938", or "2.95 percent", as shown on
23 Line 26.

24 Q And does that mean, for some of us laypeople,

[WITNESS PANEL: Ware|Laflamme]

1 that the "QCPAC" item on the bill will drop to
2 nothing, it won't be on the bill anymore?

3 A (Laflamme) That, yes, the QCPAC will effectively
4 go to zero percent.

5 Q What will the rate impact on the proposed revenue
6 requirement be?

7 A (Laflamme) As discussed in Section 4.5, on Bates
8 Pages 012 and 013 of the Settlement Agreement,
9 the proposed rate impact of the proposed revenue
10 requirement, including that of Pennichuck Water
11 Works' special contracts, is contained in
12 Schedule 4 of Attachment A, on Bates Page 027,
13 which was previously discussed by Mr. Ware. With
14 regard to Pennichuck Water Works' average
15 residential customers, using 7.76 hundred cubic
16 feet per month of water, and who currently pay a
17 monthly base charge of \$55.46, the impact of the
18 proposed rates will result in an increase in the
19 base rate charge of \$5.81 per month, or \$61.27,
20 for an annual -- per month to -- the base rate
21 charge of \$5.81 will increase that base rate
22 charge to \$61.21 [\$61.27?]. And the annual
23 increase in the base rate charge will be \$69.72.

24 Q So, what will the actual realized increase in the

[WITNESS PANEL: Ware|Laflamme]

1 overall monthly water charge be for the average
2 residential customers, after taking the current
3 QCPAC of 7.25 percent into account?

4 A (Laflamme) The average residential customers
5 would realize an increase of \$1.79 per month, or
6 \$21.48 on an annual basis. And that customer --
7 that impact is actually shown on Attachment D,
8 which is Bates Page 218.

9 Q What is the proposed effective date for permanent
10 rates in the Settlement Agreement?

11 A (Laflamme) Per Section 4.6 of the Settlement
12 Agreement, on Bates Page 013, since there are no
13 temporary rates in effect in this proceeding, the
14 Parties have agreed to an effective date that
15 coincides with the effective date of the
16 Commission's order establishing permanent rates,
17 on a service-rendered basis, pursuant to Puc
18 1203.05(b).

19 Q And, if the Commission issues an order approving
20 the permanent rates as proposed in the Settlement
21 Agreement, will PWW file annotated tariff pages
22 that effectuate those approved permanent rates?

23 A (Laflamme) Yes. That typically will occur within
24 15 days of the date of the Commission's order.

[WITNESS PANEL: Ware|Laflamme]

1 Q Turning your attention to Section 4.7 of the
2 Settlement Agreement. And that's the Rate Case
3 Expense Surcharge section, --

4 A (Laflamme) Yes.

5 Q -- on Bates Page 014. It indicates an agreement
6 by the Settling Parties that PWW should be
7 authorized to recover its reasonable rate case
8 expenses in this proceeding, is that correct?

9 A (Laflamme) That is correct.

10 Q And how will -- do the Parties propose that that
11 occur?

12 A (Laflamme) Within 30 days of the Commission's
13 order on permanent rates in this proceeding, the
14 Company will file its final rate case expense
15 request, pursuant to Puc 1905.02, along with
16 supporting documentation. The Company's proposal
17 would also include a proposed customer surcharge
18 to recover those expenses. The other Settling
19 Parties will have an opportunity to examine the
20 Company's proposals, and make recommendations to
21 the Commission.

22 Based on the Company's filing, as well
23 as the subsequent recommendations filed by the
24 other Settling Parties, the Commission will then

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[WITNESS PANEL: Ware|Laflamme]

1 issue an order regarding PWW's recovery of its
2 rate case expenses. And, upon receipt of that
3 order, and typically within 15 days, Pennichuck
4 Water Works would file a compliance tariff
5 supplement regarding its recovery of rate case
6 expenses in this case.

7 Q Thank you. Is the DOE Audit Staff's Final Audit
8 Report included as an attachment to this
9 Settlement Agreement?

10 A (Laflamme) Yes, it is.

11 Q And do you remember the attachment number? Does
12 "Attachment F" sound correct?

13 A (Laflamme) I believe it's "Attachment F", yes.

14 Q Thank you. With regard to the resolution of
15 audit issues in Section 4.8, Paragraph 4.8 of the
16 Settlement Agreement, at Bates Page 014 to 015,
17 could you please describe the purpose of this
18 section?

19 A (Laflamme) Yes. During the Department of Energy
20 Audit Staff's recent examination of the Company's
21 books and records in conjunction with this rate
22 proceeding, various audit findings were made that
23 are contained in the Final Audit Report dated
24 February 3rd, 2023, which has previously been

[WITNESS PANEL: Ware|Laflamme]

1 referenced as "Attachment F", on Bates Pages 481
2 to 606.

3 To the extent that the various audit
4 findings impact the revenue requirement
5 ultimately proposed in this proceeding, the
6 Department of Energy further examined each of
7 those issues, mainly through the issuance of
8 discovery requests. As a result, the Settling
9 Parties agree that the issues identified by the
10 Department of Energy Audit Staff in its Final
11 report have been fully resolved.

12 The specific audit issues examined,
13 along with the course through which they were
14 resolved, are indicated on Bates Pages 014 and
15 015 of the Settlement Agreement, and also the
16 supporting discovery responses are contained and
17 included within Attachment B, which is Bates
18 Pages 28 through 216 of the Settlement Agreement.

19 Q Mr. Laflamme, with regard to your reference to
20 the issues identified being "fully resolved",
21 would you agree that the issues are resolved to
22 the extent that they impact the revenue
23 requirement?

24 A (Laflamme) That is correct.

[WITNESS PANEL: Ware|Laflamme]

1 Q So, there might be some accounting issues that
2 the Audit Report sets forth that aren't fully
3 addressed here. But, to the extent that the
4 audit issues are necessary to resolve for the
5 revenue requirement, they have been?

6 A (Laflamme) Yes.

7 Q So, heading towards the conclusion here, do you
8 believe that the permanent rates proposed in the
9 Settlement Agreement are just and reasonable and
10 serve the public interest, as required by RSA
11 378:7, :8, and :28?

12 A (Laflamme) Yes.

13 Q And can you please explain briefly why?

14 A (Laflamme) Yes. The DOE believes that the
15 proposed revenue requirement will provide the
16 funds necessary to enable the Company to meet its
17 debt service and operating expense requirements.
18 The DOE also believes that the specific
19 ratemaking modifications contained in the
20 Settlement Agreement, regarding the Material
21 Operating Expense Factor, or MOEF, and the RSF
22 reconciliation are just and reasonable for both
23 the Company and its customers.

24 Further, the results of these

[WITNESS PANEL: Ware|Laflamme]

1 modifications will provide the necessary
2 assurance to the creditors of both the Company
3 and its affiliates regarding the sufficiency of
4 Pennichuck Water Works' cash flow, liquidity, and
5 solvency.

6 Lastly, while the Department of Energy
7 recognizes that the proposed 10.2 percent
8 increase in base rate revenues being proposed in
9 this Settlement Agreement is not insignificant,
10 it never the less represents an equitable
11 balancing of the interests between the utility
12 and its ratepayers.

13 Therefore, the Department of Energy
14 believes that the resulting rates are just and
15 reasonable for both the Company and its
16 customers, and serves the public interest.

17 Q Thank you. And, Mr. Laflamme, Exhibit 6 is a
18 recent addition to the exhibits at issue in this
19 docket. Do you believe that the calculation of
20 miscellaneous fees, as reflected in PWW's
21 Exhibit 6, and as discussed in Mr. Ware's
22 testimony, are just and reasonable and in the
23 public interest?

24 A (Laflamme) Yes.

[WITNESS PANEL: Ware|Laflamme]

1 Q And can you briefly say why?

2 A (Laflamme) As indicated, as I indicated
3 previously, they represent updated fees that were
4 carefully calculated and considered by the
5 Company, and would -- and would represent a
6 equitable balancing of the interests between the
7 Company and its customers.

8 Q So, to sum up, do you recommend that the
9 Commission approve the Settlement Agreement for
10 Permanent Rates, and that approval will set just
11 and reasonable rates for its customers?

12 A (Laflamme) Yes.

13 Q And does that conclude your testimony?

14 A (Laflamme) Yes, it does.

15 MS. SCHWARZER: Thank you very much.

16 MS. BROWN: Commissioners, before we go
17 to Commission questions, I'd like to just ask my
18 client -- ask my witness if he has any clarifying
19 comments?

20 CMSR. SIMPSON: Sure.

21 *[Atty. Brown and Witness Ware*
22 *conferring.]*

23 MS. BROWN: Thank you. We have no
24 further clarification questions either on direct

[WITNESS PANEL: Ware|Laflamme]

1 or friendly cross.

2 CMSR. SIMPSON: Okay.

3 MS. BROWN: Thank you.

4 CMSR. SIMPSON: Do any of the other
5 Settling Parties have any questions for the
6 witnesses, before we go to Commissioner
7 questions?

8 *[Atty. Crouse indicating in the*
9 *negative.]*

10 CMSR. SIMPSON: Okay. Very good. I
11 will recognize Commissioner Chattopadhyay.

12 CMSR. CHATTOPADHYAY: First, I think
13 the material was very thoroughly discussed. So,
14 it was nicely done. I appreciate that greatly.
15 Thank you.

16 So, some of this you may have already
17 talked about, but just trying to make sure I get
18 the big picture.

19 BY CMSR. CHATTOPADHYAY:

20 Q So, as far as the QCPACs are concerned that were
21 subsumed, and the question is directed to the
22 Company, but, DOE, if you have anything to add,
23 just feel free to jump in. So, those, for
24 which -- can you just repeat which years were the

[WITNESS PANEL: Ware|Laflamme]

1 QCPACs for?

2 A (Ware) Yes. So, the QCPACs, the Qualified
3 Capital Projects, reflect projects that were
4 implemented and used and useful in the years
5 2019, 2020, and 2021.

6 Q Okay. The rate case was filed in 2022. And I
7 know that, for Pennichuck, you use a five-year
8 average as the test year. But there were some
9 capital projects undertaken even in 2022, right?

10 A (Ware) That is correct.

11 Q Does that get subsumed in this rate case?

12 A (Ware) No. So, the filing, in February of 2023,
13 this year, which would seek to recover the
14 capital improvements made and prudent, used and
15 useful in 2022, will be reflected in a surcharge,
16 a QCPAC, on the revenues granted in this case.

17 So, that will be an additional
18 percentage. So, whatever the final rates are in
19 this case, the new revenue requirement will be
20 divided by the approved revenue requirement. So,
21 the revenue requirement out of this QCPAC filing,
22 the principal and interest times 1.1, plus the
23 property taxes on property, plant, and equipment
24 invested in 2022, those -- that revenue

[WITNESS PANEL: Ware|Laflamme]

1 requirement will be divided by the revenue
2 requirement granted in this case to come up with
3 a percentage or a QCPAC surcharge that would be
4 applied starting, you know, upon approval of
5 that.

6 Q Okay. So, just purely looking at the subsumed
7 QCPACs, the percentage increase in the rates
8 right now is roughly 2.75 percent, correct?

9 A (Ware) I believe it was 2.95 percent.

10 Q But that 2.95 is actually based on -- it's not --
11 let me clarify. As I'm looking at it, when you
12 include all of the QCPACs for 2019, 2020, and
13 2021, you have a certain number. When you
14 compare the new number relative to that total
15 number, I think it's not 2.95 percent, it's 2.75
16 percent. And I'm just trying to confirm.
17 Because the way 2.95 percent is calculated, it
18 seems to me it's being calculated relative to the
19 base amount.

20 A (Ware) So, --

21 Q And I'm just making sure I have it right.

22 A (Ware) -- my suggestion would be that the QCPAC
23 only applies against the rates that are impacted
24 by this case. So that the overall increase

[WITNESS PANEL: Ware|Laflamme]

1 associated with, you know, impacts to the General
2 Metered in this that the rates are going to go up
3 was 10.51 percent. Of that, we've collected 7.25
4 percent through the QCPACs. Again, the QCPAC
5 only applies to the same rate classes as the rate
6 increase. That actually leaves an overall
7 increase of 3.26 percent. To the --

8 MS. SCHWARZER: Excuse me. I'm sorry,
9 I'm a bit confused. I thought your initial
10 testimony, Mr. Ware, was that it was a 10.20
11 percent overall increase?

12 WITNESS WARE: That is correct. But I
13 think, where Commissioner Chattopadhyay is going
14 is, "what's the increase on the actual customer?"

15 MS. SCHWARZER: Okay. Thank you.

16 **CONTINUED BY THE WITNESS:**

17 A (Ware) So, if you recall, you know, the 10.2
18 percent increase, when applied across the
19 customer classes that will see an increase, so,
20 it doesn't apply to the fixed is the 10.51
21 percent.

22 BY CMSR. CHATTOPADHYAY:

23 Q To be clear, I wasn't going where you are
24 assuming I was asking you about. I think I'm

[WITNESS PANEL: Ware|Laflamme]

1 looking at the revenues. The revenue increase is
2 10.2 percent?

3 A (Ware) Yes.

4 Q Correct? And the QPAC -- sorry -- QCPAC is 7.25?

5 A (Ware) Yes.

6 Q The difference is 2.95, between those two?

7 A (Ware) Yes.

8 Q What I'm saying is, when you subsume QCPAC,
9 thinking in terms of percentages, you're starting
10 of at 107.25, relative to that, you're going to
11 110.2. So, if you do the percentage
12 calculations, the actual increase that ratepayers
13 would be seeing, right now, you have to compare
14 110.2 with 107.25. And all I'm pointing out is,
15 that will result in a 2.75 percent increase.
16 That's the point I'm making.

17 And I'm just trying to get a
18 confirmation that's what's happening. And you
19 can do the calculations quickly, I think.

20 But, otherwise, I don't have any issues
21 with the numbers. I'm quite there, okay.

22 A (Ware) Yes. So, following the numbers you just
23 detailed, that would result in a 2.75 percent
24 increase.

{DW 22-032} {05-31-23}

[WITNESS PANEL: Ware|Laflamme]

1 Q Yes. I'm just trying to confirm that. So, you
2 have it. Okay.

3 I have a question about Exhibit 4,
4 Part 7 of 9, which is the Audit Report. Let me
5 know when you're there.

6 A (Ware) I am there.

7 Q Okay. And, if you go to Bates Page 484, it says,
8 and I want to make sure I'm -- the paragraph just
9 before the heading "Other", it says "Audit
10 requested specific details of the city bond
11 financing with the dividends paid from the
12 affiliates to Pennichuck Corporation. This
13 request was made on November 9, 2022, with
14 subsequent reminders sent to the Company.
15 However, the request was not answered."

16 So, what I'm trying to understand, as
17 far as the dividends are concerned, the previous
18 paragraph discusses "The cap on the repayment in
19 any year is \$500,000", and it also says "with an
20 overall repayment not to exceed \$5,000,000."

21 I'm just curious, right now, where are
22 we relative to the \$5,000,000, in terms of the
23 dividends? Do you know?

24 A (Ware) It is as stated. So, there has only been

[WITNESS PANEL: Ware|Laflamme]

1 one payment to reduce that \$5,000,000, which was
2 back in -- and I think it was 2012 or '13, where
3 the Company got some money from LCHIP to set
4 aside an easement on some of its land, the land
5 owned by Pennichuck Corporation. So, was out --
6 that land wasn't owned by Pennichuck Water Works.
7 That payment, in turn, was -- that cash was used
8 by the Corporation to pay part of that
9 \$5,000,000, it was \$490,000, and -- \$490,090 was
10 the payment that was made. And that there's been
11 no other payments towards that 5 million balance.

12 CMSR. CHATTOPADHYAY: Thank you. It
13 wasn't, you know, obvious just reading this, but
14 that's helpful. So, now, I know.

15 Again, thank you. I think that was
16 done really well. Back to Commissioner Simpson.

17 CMSR. SIMPSON: Thank you.
18 Commissioner Chattopadhyay has a Ph.D in
19 Economics, and also a business professor. So,
20 the percentages don't escape him.

21 Just a few from me.

22 BY CMSR. SIMPSON:

23 Q Exhibit 5, Attachment A, pertains to the *pro*
24 *forma* Income Tax Expense. Do you know why Income

[WITNESS PANEL: Ware|Laflamme]

1 Tax Expense almost doubled, though the new
2 revenue requirement -- in the new revenue
3 requirement calculation?

4 A (Ware) I do not. I would have to review that.
5 That is the New Hampshire Business Enterprise Tax
6 is what that refers to.

7 Q Okay.

8 A (Ware) And that's a function of employees'
9 payroll and other items. I am not any kind of
10 expert in taxes.

11 But that was reviewed and audited by
12 the Audit Staff, and confirmed as the correct
13 numbers.

14 Q Okay. Thank you. So, then, in the Settlement
15 Agreement, Exhibit 5, Bates Page 008, I'll get
16 there, it says -- this says that the MOEF is
17 adjusted "from 9 and a half percent to 9.45
18 percent." But, then, there's a line that says it
19 changes "from 9 percent to 9.45". Was that just
20 an error? Is it going from "9.5 to 9.45"?

21 A (Ware) In 19-084, it was 9.50 percent. And, so,
22 in the Settlement Agreement, and through the
23 process, it was deemed, again, with a target of
24 hitting 3,920,000, --

[WITNESS PANEL: Ware|Laflamme]

1 Q Uh-huh.

2 A (Ware) -- that 9.45 percent was the number.

3 Q Okay. Thank you.

4 A (Laflamme) I believe that "9 percent" was the
5 original percentage that was proposed by the
6 Company in its rate filing.

7 CMSR. SIMPSON: Okay. That's helpful.
8 Go ahead, Commissioner Chattopadhyay.

9 BY CMSR. CHATTOPADHYAY:

10 Q This reminds me of -- I knew that that was the
11 reason. But I'm just curious why what was
12 proposed originally, which was 9 percent, was
13 increased to 9.45 percent, per the Settlement?

14 I mean, you don't have to get into --
15 if you can give me an explanation without -- in a
16 way that it doesn't touch upon the
17 give-and-take, --

18 A (Ware) All right.

19 Q -- it would be helpful.

20 A (Ware) So, --

21 MS. SCHWARZER: Excuse me, just to make
22 sure that the settlement information remains
23 confidential, Commissioner Chattopadhyay, I
24 understand you to be asking "why 9.45 percent is

[WITNESS PANEL: Ware|Laflamme]

1 an appropriate percentage?"

2 CMSR. CHATTOPADHYAY: Yes. And I'm
3 also asking, because, originally, the Company had
4 filed 9 percent. So, --

5 MS. SCHWARZER: Right. And just, I'm
6 sorry, this is a challenging situation. But, to
7 the extent that there's a black box of
8 settlement, we would not expect the answer to
9 explain necessarily why there was movement from 9
10 percent, but instead to focus on and explain why
11 9.45 percent is appropriate, and supported by the
12 parties.

13 CMSR. CHATTOPADHYAY: And that is the
14 reason why I framed the question the way I did.
15 So, I completely understand that.

16 BY CMSR. CHATTOPADHYAY:

17 Q But it still is sort of a question for me,
18 because I -- what's the logic behind it?

19 A (Ware) So, the logic is, original filing, you
20 know, unaudited, undiscovered, looking at that
21 exhibit I walked you through, DLW Exhibit 1, at
22 the time to end up at the combined RSF balance at
23 3,920,000, 9 percent produced that final end
24 product.

[WITNESS PANEL: Ware|Laflamme]

1 After discovery, with the change in the
2 various expenses, with the final agreement on
3 what those should be, putting it into that same
4 package and formula resulted in that number
5 having to be 9.45 percent to end up at about that
6 3,920,000.

7 CMSR. CHATTOPADHYAY: Thank you.

8 BY CMSR. SIMPSON:

9 Q Moving forward, through the terms of the
10 Settlement Agreement, will capital improvements
11 flow through a surcharge? Just how does that
12 mechanism work for your general capital
13 improvements?

14 A (Ware) So, capital improvements are all handled
15 through the QCPAC charge process on an annual
16 basis.

17 Q Okay. Thanks. On Bates Page 008, in the
18 footnote, and I think it was discussed earlier,
19 "the Company may be required to file [another]
20 rate case sooner than 2025." Did I capture that
21 correctly?

22 MS. SCHWARZER: Mr. Commissioner,
23 excuse me, Mr. Chairman -- or, excuse me,
24 Commissioner Simpson, if I could clarify.

[WITNESS PANEL: Ware|Laflamme]

1 There's a legal explanation in the continuation
2 of the footnote, with regard to the order
3 requirements in place from prior dockets. So,
4 there are a specific set of circumstances under
5 which the rate -- the Company might be required
6 to file a rate case sooner.

7 And I don't mean to interject. But, as
8 a lawyer, I just thought that there was a legal
9 explanation, but, of course, defer to any other
10 statement.

11 CMSR. SIMPSON: Okay. Thank you.

12 **BY THE WITNESS:**

13 A (Ware) So, just as a further clarification, in DW
14 19-084, with the establishment of the MOEF, --

15 BY CMSR. SIMPSON:

16 Q Uh-huh.

17 A (Ware) -- the Company agreed that, at a minimum,
18 it would file a rate case every three years, --

19 Q Yes.

20 A (Ware) -- to true up that RSF. But, in the
21 eventuality that some unique circumstance comes
22 along, relative to expenses or revenues, we might
23 file earlier than three years, if necessary, in
24 order to preserve, you know, adequate cash.

[WITNESS PANEL: Ware|Laflamme]

1 Q Do you have a sense of when that might be, and
2 whether it would be a '23 or '24 test year?

3 A (Ware) It was just a statement to not box us into
4 the three years.

5 Q Okay.

6 A (Ware) We do not, at this stage, we would not
7 envision PWW coming in any sooner than three
8 years, or a 2024 test year, again, unless
9 something unknown happens at this stage.

10 Q Okay. Thank you. And then, just looking at the
11 revenue deficiency, the 10.2 percent, is that
12 driven by debt service and property taxes
13 associated with capital investment? Or what are
14 some of the driving factors that have led to that
15 revenue deficiency?

16 A (Ware) All right. So, you've got a combination
17 of things. You mentioned "debt service". So, as
18 we mentioned, we currently have a QCPAC --

19 Q Yes.

20 A (Ware) -- of 7.25 percent. That reflects a
21 combination of 1.1 times the debt service
22 associated with the capital invested in 2019,
23 '20, and '21, and the associated property taxes
24 that went with that. So, looking at kind of a

[WITNESS PANEL: Ware|Laflamme]

1 breakdown, about two-thirds of that is debt
2 service and about one-third is associated with
3 property taxes on new plant.

4 The residual increase of 2.75 percent
5 over where we are right now is associated in a
6 combination of increase in labor costs, benefits,
7 chemicals, and power, from the 2018 test year
8 through the 2021 test year.

9 CMSR. SIMPSON: Okay. Thank you so
10 much. And I echo my colleague's comments. This
11 was very well done. And appreciate both of you
12 being here today and your testimony.

13 Do you have anything else, Commissioner
14 Chattopadhyay?

15 CMSR. CHATTOPADHYAY: Yes.

16 CMSR. SIMPSON: Go ahead.

17 CMSR. CHATTOPADHYAY: Just a very quick
18 one.

19 BY CMSR. CHATTOPADHYAY:

20 Q So, can you give me a sense of what is the status
21 of the acquisition bonds, like what is the
22 current balance?

23 A (Ware) Yes. So, we are -- the bonds sold by the
24 City that are being paid back by the CBFRR

[WITNESS PANEL: Ware|Laflamme]

1 revenues were sold in January of 2012. And they
2 will reach full maturity, you know, and complete
3 payment by January 2042.

4 You know, it is a level, you know, debt
5 service payment. At this stage, I don't have the
6 amortization schedule, and I don't know whether
7 our CFO, who is in the room, has it memorized or
8 not. But we're someplace along that train,
9 Commissioner, in terms of we're probably, I'm
10 going to guess, no more than a third of the
11 principal that was borrowed has been paid back,
12 the rest is interest. As you know, over time,
13 those will flip. But, you know, that will be
14 fully paid off, and the need for the CBFRR will
15 go away when that bond is paid off in January
16 of 2042.

17 CMSR. CHATTOPADHYAY: Thank you.

18 That's all I have.

19 CMSR. SIMPSON: And then, just one
20 question, back to the dividend.

21 BY CMSR. SIMPSON:

22 Q Has the Company issued more dividends or have you
23 only issued that one dividend pertaining to
24 eminent domain? Like, have you issued dividends,

[WITNESS PANEL: Ware|Laflamme]

1 not paying down the eminent domain costs?

2 A (Ware) So, again, the way the structure is built,
3 we pay the City the \$8.8 million a year in total,
4 I think is the number between the three
5 utilities. That's to compensate the City for a
6 bond sold of 140 -- it was 150 million, but we're
7 looking at 145 million, because 5,000,000 of cash
8 was retained in the RSF funds.

9 Q Uh-huh.

10 A (Ware) That 145 million was at a rate of 4.09
11 percent for 30 years. We make payments to the
12 City each year on a loan of 145 million, at an --
13 there's a number, I think it's 5.77 percent, or
14 thereabouts. That leaves a shortfall in making
15 the payment to the City of a slight amount year
16 over year, which is paid as a dividend. So, the
17 City needs that \$8.8 million.

18 The City went out to the market and
19 said "All right, you know, we're selling this
20 \$145 million, \$150 million, we've got 4.09
21 percent. All you're going to do is pay us that
22 amount." They structured the loan, and don't ask
23 me why, so that the -- at 5.77 percent, but the
24 overall payment comes out to the 8 -- just shy of

[WITNESS PANEL: Ware|Laflamme]

1 the 8.8 million. So, each year there is about
2 200, \$250,000 in dividends that are paid. It's
3 basically a make-whole between the note payable
4 to the City to cover their principal and interest
5 payments on the 150 million, at 4.09 percent.
6 And, so, they structured a loan that, again,
7 comes close to that payment, but, in any one
8 year, we're typically a little underneath that in
9 what we're paying the City in principal and
10 interest. So, the residual is paid as a
11 dividend. But that dividend does not reduce the
12 \$5,000,000 that, you know, the City wanted to
13 recover, just shy of 5,000,000, for the eminent
14 domain expenses. That is a make-whole payment
15 between the loan on the books to the City and the
16 loan that the City took in order to acquire the
17 Company's equity.

18 Q So, you've made one payment on that for 500,000.
19 So, that four and a half eminent domain cost
20 still sits out there?

21 A (Ware) Correct.

22 Q But you annually pay about \$8 million in dividend
23 to the City?

24 A (Ware) So, it's a combination of a loan

[WITNESS PANEL: Ware|Laflamme]

1 payment, --

2 Q Okay.

3 A (Ware) -- and, so, the loan payment, and, again,
4 if we want to get the actual numbers, we could
5 have our CFO, who is sitting here, probably has
6 access to them. But the annual payment to the
7 City is -- the Corporation is paying that 8.8
8 million. But it's a combination of a note the
9 City issued that was meant to be equivalent to
10 the 8.8 million, but, you know, the percentages
11 never work out. So, it was set so that we're
12 paying just a little under 8.8 million, and each
13 year the Company pays a dividend to make up
14 that -- to make up to that 8 -- the true cost of
15 that 8.8 million, at 4.09 percent, the actual
16 payment the City makes to the bondholders.

17 Q Okay. And do you know why the request, on behalf
18 of the Department, wasn't fulfilled?

19 A (Ware) I do not.

20 Q Okay. And is the Department satisfied at the
21 point? Did you get the answer?

22 A (Laflamme) Yes. We --

23 Q Did you eventually get it?

24 A (Laflamme) We issued a follow-up data request on

[WITNESS PANEL: Ware|Laflamme]

1 that. And I think that's identified -- that is
2 identified in the Settlement Agreement. It's the
3 very first item, where it says "Various
4 Outstanding Audit Staff Information Requests
5 Identified on Pages 4, 31, 35, 64, and 87 of the
6 Final Audit Report." And we asked a follow-up
7 discovery request, that was DOE 5-10. And that
8 was -- and the Company provided a response to
9 that in its response to DOE 5-10.

10 CMSR. SIMPSON: Excellent.

11 MS. SCHWARZER: Excuse me.

12 Mr. Laflamme, does that Data Response 5-10 appear
13 in Attachment B?

14 WITNESS LAFLAMME: Yes. 5-10 is
15 included in Attachment B.

16 MS. SCHWARZER: Thank you.

17 CMSR. SIMPSON: Okay. Great. Thank
18 you.

19 Anything else, Commissioner
20 Chattopadhyay?

21 CMSR. CHATTOPADHYAY: No.

22 CMSR. SIMPSON: Okay. So, I'm happy to
23 have a verbal closing, or, if folks want to
24 submit a written closing, any preference there?

[WITNESS PANEL: Ware|Laflamme]

1 MS. BROWN: I'd like redirect.

2 CMSR. SIMPSON: You have redirect?

3 MS. BROWN: Yes.

4 CMSR. SIMPSON: Okay.

5 MS. BROWN: And I just have a very
6 brief oral closing.

7 CMSR. SIMPSON: Okay. Then, I will
8 recognize Attorney Brown for redirect.

9 MS. BROWN: Okay.

10 **REDIRECT EXAMINATION**

11 BY MS. BROWN:

12 Q Mr. Ware, on the questioning from Commissioner
13 Simpson regarding the dividend, I just want to
14 make sure I heard the interest on the loan back
15 to the City. I don't know if you said it was
16 "5.79" or if it was "5.75"?

17 A (Ware) I believe I said it was "about 5.77".
18 But, again, I defer to the CFO. I don't get that
19 close to those documents.

20 If Mr. Goodhue was here, he would know
21 it right on the number. So, again, if the
22 percentage -- exact percentage is critical, we
23 can read that into the record.

24 MS. BROWN: And I'll make an offer of

[WITNESS PANEL: Ware|Laflamme]

1 proof, that your colleague is telling me that it
2 is 5.75.

3 If there were further questions, we
4 would be happy to offer, you know, swear in a
5 witness, or I can just make the offer of proof
6 that we believe it is 5.75.

7 CMSR. SIMPSON: That's sufficient for
8 me, if it's sufficient for Mr. Ware?

9 WITNESS WARE: That is sufficient for
10 me.

11 CMSR. SIMPSON: Okay. All right.
12 Anything else?

13 *[Atty. Brown indicating in the*
14 *negative.]*

15 CMSR. SIMPSON: Do you have any
16 redirect, Attorney Schwarzer?

17 MS. SCHWARZER: No. Thank you very
18 much.

19 CMSR. SIMPSON: Okay.

20 Okay. So, then, with respect to
21 closing, do the parties want to offer a verbal
22 closing now?

23 *[Atty. Schwarzer indicating in the*
24 *affirmative.]*

[WITNESS PANEL: Ware|Laflamme]

1 CMSR. SIMPSON: Okay. Then, I'll
2 recognize -- why don't we start with Attorney
3 Brown.

4 MS. BROWN: Thank you, Commissioner
5 Chattopadhyay and Simpson, for your time this
6 afternoon. And I'm not going to summarize all of
7 the Settlement, because it was well addressed by
8 the witnesses.

9 But, actually, I just want to reaffirm
10 that the Settlement of the Company's rate filing
11 was subject to multiple rounds of discovery, and
12 you have those in Attachment B to the Settlement
13 Agreement. It was also subject to a full audit,
14 which is Attachment F to the Settlement
15 Agreement. So, the point I want to make is that
16 the numbers here were well vetted. And that, you
17 know, is good, that errors or corrections were
18 caught, and we've resulted in the Attachment A
19 rate schedules as a product for the --
20 representing the revenue requirement agreed to.

21 With respect to customer rates, you
22 know, we've heard that the overall revenue
23 increase is 10.2, but there's a component of
24 QCPAC in there. And then, there's the effect on

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1 special contracts. So, actual customer classes
2 are more at 10.51, but, again, it includes the
3 QCPAC. So, and as brought out in the questions
4 from the Bench, that remaining, whether it's 2.75
5 or 2.95, that is other labor costs, it's not the
6 debt service on the capital. So, it's a overall
7 small revenue bump. And the QCPAC is working to
8 mitigate rate shock, because it's just
9 periodically, every, you know, annually changing,
10 so that customers aren't getting one huge bill.

11 You heard the Company express its
12 desire on the timing of an order, because, given
13 the QCPAC, temporary rates were not put into
14 effect, so that there's no recoupment. But
15 there's only so, you know, there is an "end of
16 the runway", so to speak, for the cash flow. So,
17 we would request an order as reasonably
18 practicable -- reasonably practicably soon.

19 With that, I think that was -- those
20 are the points I just wanted to make. And we
21 hope that you will agree with the findings that
22 the resulting revenue requirement is just and
23 reasonable, that the rates for the General
24 Metered classes, the volumetric, with the special

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1 contracts, and the miscellaneous utility service
2 fees will be just and reasonable. We hope that
3 you agree with that assessment from the parties.

4 Thank you.

5 CMSR. SIMPSON: Before we move to
6 Attorney Schwarzer, on the effective date, so,
7 June 27th, 2022, was the date you made the
8 filing, a year ago. The request was for rates
9 effective July 31st, 2023, is that correct?

10 MS. BROWN: I'd have to go back and
11 check. But what I'm focusing on is the
12 suspension.

13 CMSR. SIMPSON: Yes.

14 MS. BROWN: The suspension was July
15 26th. And, from that, it triggers the --

16 CMSR. SIMPSON: The year.

17 MS. BROWN: -- the one year. So, I'm
18 just trying to see when we've -- okay. So,
19 June 27th --

20 CMSR. SIMPSON: Yes.

21 MS. BROWN: -- would have been the
22 30-day notice for the tariffs, which I can just
23 find in the rate filing. Just trying to find the
24 effective date, so we can give some guidance on

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1 when the order has to be issued.

2 Oh, we are making them effective
3 August 1st.

4 CMSR. SIMPSON: Okay. That's helpful.

5 MS. BROWN: But, then, again, we've got
6 your -- I think what is controlling here is the
7 July 26th suspension.

8 CMSR. SIMPSON: Okay. So, you'd like
9 an effective date of?

10 MS. BROWN: I think your -- I think,
11 given the order, we're looking more at a July 26,
12 you know, year --

13 CMSR. SIMPSON: Effective date?

14 MS. BROWN: Yes. Did we have a leap
15 year this year?

16 *[Laughter.]*

17 MS. BROWN: I don't know when one year
18 is, but it would be one year from July 26th, for
19 2023, --

20 CMSR. SIMPSON: Yes.

21 MS. BROWN: -- would be the effective
22 date per the suspension.

23 But, then, again, you're right. We did
24 file it for August 1st. And you're suspending

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1 the taking effect. So, it could be August 1st.

2 But, Mr. Ware, given the change from
3 August 1st, as filed, then the agreement of
4 temporary -- not getting temporary rates, did you
5 need the order in July, to hit customer bills?

6 WITNESS WARE: So, in order, you know,
7 if we want to avoid any, you know, looking back
8 at revenues, so, there's a period from when the
9 order comes in, --

10 CMSR. SIMPSON: Uh-huh.

11 WITNESS WARE: -- to when we have to
12 file the revised tariff pages, to when the DOE
13 would make recommendations that we got those
14 tariff pages right, and then they would become,
15 you know, effective.

16 Now, again, if we could get it such
17 that the effective date, you know, again, is the
18 effective date the order or is it, you know, the
19 effective date when the tariff is actually
20 approved, which could be, you know, 30 days
21 later?

22 You know, our concern is we would like
23 to see the rates fully in effect, the way the
24 calculations were done, starting with the first

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1 bills in August.

2 CMSR. SIMPSON: Okay.

3 WITNESS WARE: Okay. So, that, you
4 know, the last bills in July would be at the old
5 rate, plus the QCPAC. And then, starting with
6 the first round of bills, we want to make sure
7 that we can have the new rate on there, the QCPAC
8 is off. That would meet the model that was done.

9 I always do get somewhat befuddled by
10 the mechanism of the effective date of the order,
11 plus approval of the tariff, the actual tariff
12 sheet, and when it can show up on the bills. We
13 want to make sure that we do that correctly.

14 So, the goal is to make sure that
15 everything is done that needs to be done, and the
16 tariff page is approved, so that, when the round
17 of first bills in August happens, that we have
18 the new rate on it, and it's met all the
19 touchstones.

20 CMSR. CHATTOPADHYAY: Will there be any
21 issue if the order comes out 1st of July?

22 MS. BROWN: No, because you'll have the
23 tariffs filed July 2nd, or later that afternoon,
24 July 1st.

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1 WITNESS WARE: That's a weekend, and
2 it's a holiday weekend.

3 *[Laughter.]*

4 *[Cmsr. Simpson and Cmsr. Chattopadhyay*
5 *conferring, and then Cmsr. Simpson and*
6 *Atty. Ross conferring.]*

7 CMSR. SIMPSON: Okay. So, I'm glad I
8 left them on the stand, I hadn't excused them
9 yet.

10 MS. SCHWARZER: Commissioner Simpson,
11 might the parties maybe have a very brief recess
12 to touch base with each other around this
13 particular question, and then proceed? And,
14 truly, five minutes?

15 CMSR. SIMPSON: Yes. We'll take --
16 let's take five. We'll come back at 11:50. We
17 were thinking July 1st effective date. But we
18 will defer to further discussion until we
19 reconvene in five minutes. So, off the record.

20 *(Recess taken at 11:44 a.m., and the*
21 *hearing resumed at 11:50 a.m.)*

22 CMSR. SIMPSON: Okay. Back on the
23 record. Do the parties have an effective date to
24 propose?

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1 MS. BROWN: Thank you for those
2 questions about the effective date. As we
3 thought through it, we are proposing, that is
4 Department of Energy, Office of the Consumer
5 Advocate, and the Company, that we set aside a
6 "Exhibit 7" for a record request. And what we
7 would like to present is another version of
8 what's at Tab 13 in the initial filing, is a
9 sample tariff page, --

10 CMSR. SIMPSON: Uh-huh.

11 MS. BROWN: -- with an effective date
12 of "August 1st, 2023". So that all of the rates
13 from the revenue requirement that we just
14 presented today will flow through in actual
15 tariff pages, and that we file that in a week.

16 Now, this is superseding, going back to
17 the Settlement Agreement, Paragraph 4.6, had --
18 the parties had agreed to an effective date as of
19 the order.

20 CMSR. SIMPSON: Uh-huh.

21 MS. BROWN: Kind of modifying that, and
22 I'll, you know, let DOE and OCA also chime in.
23 But, over the break, we agreed that it would be
24 better to file the tariff pages, so that the

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1 people who are actually putting these bills --
2 calculating, you know, the effective date, have
3 time to get that machinery set up, and that it
4 will look similar with a track change and a clean
5 version for you in one week, it would be a record
6 request, set aside "Exhibit 7" for it.

7 MS. SCHWARZER: If I might comment
8 further?

9 CMSR. SIMPSON: Uh-huh.

10 MS. SCHWARZER: Thank you. As I
11 understand the parties' proposal, and I agree,
12 we'd ask that the Commission set aside
13 "Exhibit 7", so that the Company might respond to
14 a record request for a proposed tariff page, or
15 pages, with the understanding that the proposed
16 pages are in no sense final. To ask the
17 Commission issue an order sometime between
18 July 1st and July 10th, with the standard
19 instruction to issue compliance -- to file
20 compliance tariff pages, the Company, within 15
21 days.

22 It's the Parties' expectation that the
23 filing of Exhibit 7 would allow all the Parties
24 to communicate and discuss, and then adjust to

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1 whatever might be contained in the order, so that
2 the 15-day time period, following the issuance of
3 the order, would be more than sufficient to allow
4 compliance tariff pages to be filed without
5 objection before the end of July, effective
6 August 1st.

7 And the Department concurs that the
8 Parties are here in this hearing amending the
9 terms of Paragraph 4.6.1 to the Settlement
10 Agreement. So that, instead of saying that "the
11 Settling Parties propose that the effective date
12 for permanent rates be the effective date of the
13 Commission's order", that the sentence would
14 better read: "Therefore, the Settling Parties
15 propose that the effective date for permanent
16 rates be the date stated in the Commission's
17 order and as of August 1, 2023."

18 So, that is our proposal and our
19 request to the Commission at this time.

20 *[Commissioner Simpson and Atty. Ross*
21 *conferring.]*

22 CMSR. SIMPSON: So, we just want to
23 clarify that.

24 With this record request, the Company

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1 would file a proposed tariff, which all of the
2 Settling Parties could review. And then, when
3 the Company files compliance pages, we would then
4 have the tariff as part of the final order. Is
5 that your expectation?

6 MS. SCHWARZER: No. I'm sorry,
7 Commissioner Simpson. It would be my expectation
8 that a "compliance tariff", by definition, must
9 comply with a prior order.

10 CMSR. SIMPSON: Yes.

11 MS. SCHWARZER: And, so, therefore, the
12 Exhibit 7 would give the Parties an opportunity
13 for review, with the anticipation that the order
14 would accept the Settlement. But, even if it did
15 not, having had a prototype, if you will, in
16 Exhibit 7, the Parties -- within the 15 days that
17 are generally offered in the body of the order
18 for the -- to permit the Company to file a
19 compliance tariff, we expect that there would be
20 little trouble in reaching a filing by the
21 Company that would be unlikely to be objected to
22 by other parties. Although, I guess I can't --

23 CMSR. SIMPSON: Uh-huh.

24 MS. SCHWARZER: It's not impossible,

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1 but that would be -- right, I don't want to close
2 doors, but it would seem unlikely.

3 CMSR. SIMPSON: Okay. I think we've
4 got it.

5 *[Commissioner Simpson conferring with*
6 *Atty. Ross, and then with Commissioner*
7 *Chattopadhyay.]*

8 CMSR. SIMPSON: Okay.

9 MS. SCHWARZER: I'm sorry. So,
10 perhaps, in addition to filing a copy of the
11 Settlement with all attachments into the record
12 in redacted form, which I believe the Company is
13 planning to do in response to the Commission's
14 request, the Company could also file a proposed
15 tariff page, or pages, at that time.

16 CMSR. SIMPSON: Does that work for the
17 Company?

18 MS. BROWN: Well, the Settlement will
19 be filed within the hour after this hearing.

20 CMSR. SIMPSON: Yes.

21 MS. BROWN: I just need a few days to
22 get the tariffs formatted, just press of other
23 business. So, that's why we were asking --

24 CMSR. SIMPSON: For Exhibit 7.

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1 MS. BROWN: -- for Exhibit 7.

2 CMSR. SIMPSON: Okay. Perfect.

3 (*Exhibit 7 reserved for Record Request*
4 *to be requested in a procedural order*
5 *to follow on June 1, 2023.*)

6 CMSR. SIMPSON: Okay. I know that was
7 a nonlinear closing. And I'm glad I left the
8 witnesses up on the stand.

9 Do you have anything else you'd like to
10 add in closing, Attorney Brown?

11 MS. BROWN: No. And I thank you very
12 much for having us cover all the issues.

13 CMSR. SIMPSON: Okay. Perfect. We
14 just want to know the specifics, as that's what
15 our orders need to provide.

16 So, I'll recognize Attorney Schwarzer
17 for the Department for a closing.

18 MS. SCHWARZER: Thank you,
19 Commissioner.

20 The Department appreciates the
21 responsiveness and the flexibility of the Company
22 in working on this docket with us. And we
23 appreciate the OCA's participation as well.

24 We would just reiterate the Company's

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1 statement that we believe that the Settlement is
2 the result of careful review and analysis, and is
3 just and reasonable and in the public interest,
4 pursuant to RSA 3:78:7, :8, and :28. And we
5 respectfully request that the Commission approve
6 it in its entirety, as amended at this hearing.

7 CMSR. SIMPSON: Thank you. And
8 Attorney Crouse, for the Office of the Consumer
9 Advocate.

10 MR. CROUSE: Thank you.

11 I just want to recognize, on behalf of
12 the OCA, that, while the 10 percent increase is
13 certainly not insignificant, we do believe that,
14 after careful review, that the Settlement
15 Agreement represents an equitable balancing of
16 interests and is just and reasonable.

17 And the OCA appreciates the
18 collaboration of the Company and the Department
19 of Energy, especially in our noble quest to find
20 our own in-house analyst, we very much appreciate
21 the careful review that was presented.

22 And we would support the Settlement
23 Agreement, as I suppose amended in a nonlinear
24 closing, presented by Ms. Brown.

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1 Thank you very much.

2 CMSR. SIMPSON: All right. Thank you.
3 I'll excuse the witnesses. Feel free to stay
4 there, I don't think we'll be much longer.

5 So, I will strike ID on Exhibits 1
6 through 6. We will hold the record open for
7 Exhibit 7.

8 The Commission will issue a record
9 request asking the Company to file proposed
10 tariff pages. Would a week be sufficient, by
11 July -- or, excuse me, by June 7th? Is that
12 sufficient for the Company?

13 MS. BROWN: That is sufficient for the
14 Company. Thank you.

15 CMSR. SIMPSON: Okay. Very good. Is
16 there anything else?

17 And, of course, Exhibits 1 through 6
18 will be admitted as full exhibits; record open
19 for 7.

20 Is there anything else we need to cover
21 today?

22 *[Atty. Schwarzer indicating in the*
23 *negative.]*

24 CMSR. SIMPSON: Okay. Thank you, all.

1 We will take the matter under advisement and
2 issue an order. We are adjourned. Off the
3 record.

4 ***(Whereupon the hearing was adjourned***
5 ***at 11:59 a.m.)***

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