

1 STATE OF NEW HAMPSHIRE
2 PUBLIC UTILITIES COMMISSION
3

4 December 17, 2008 - 1:35 p.m.
5 Concord, New Hampshire
6

7 RE: DW 08-086
8 EASTMAN SEWER COMPANY:
9 Notice of Intent to file a Petition for
Financing and Rate Schedules.
(Hearing regarding temporary rates)

10 PRESENT: Commissioner Clifton C. Below, Presiding
11 Commissioner Graham J. Morrison
12

13 Jody Carmody, Clerk
14

15 APPEARANCES: Reptg. Eastman Sewer Company:
16 Stephen P. St. Cyr

17 Reptg. PUC Staff:
18 Marcia A. B. Thunberg, Esq.
19

20

21

22

23

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

1

2

I N D E X

3

PAGE NO.

4

WITNESS PANEL: STEPHEN P. ST. CYR
 JAYSON P. LaFLAMME

5

6

Direct examination by Ms. Thunberg

5

7

Interrogatories by Cmsr. Below

23

8

9

10

* * *

11

12

E X H I B I T S

13

| EXHIBIT NO. | D E S C R I P T I O N | PAGE NO. |
|-------------|-----------------------|----------|
|-------------|-----------------------|----------|

14

| | | |
|---|---|---|
| 1 | Testimony, Exhibits and Other Financing and Rate Case Requirements (08-18-08) | 6 |
|---|---|---|

6

15

16

| | | |
|---|---|---|
| 2 | Revised Report of Proposed Changes, Revised Proposed Tariff Pages, Revised Schedules (10-29-08) | 7 |
|---|---|---|

7

17

18

| | | |
|---|---|---|
| 3 | Responses to Staff Data Requests, Set 1 | 8 |
|---|---|---|

8

19

| | | |
|---|--|---|
| 4 | Stipulation Agreement on Temporary Rates | 9 |
|---|--|---|

9

20

| | | |
|---|--|----|
| 5 | Letter from DES regarding Eastman's Groundwater Discharge Permit (05-29-07) | 21 |
|---|--|----|

21

21

22

23

24

{DW 08-086} (Re: Temporary Rates) {12-17-08}

1 P R O C E E D I N G S

2 CMSR. BELOW: Good afternoon. Chairman
3 Getz is preoccupied at the State Emergency Operations
4 Center. So, I'll open this public hearing on temporary
5 rates. On June 24th, Eastman filed with the Commission a
6 notice of intent to file a petition for financing and
7 increased rate schedules. And, on August 18th, Eastman
8 Sewer Company filed schedules, proposed changes, and
9 prefiled testimony in support of its proposed financing
10 and rate increase. The Commission ordered a -- issued an
11 order of notice on September 18th that scheduled a
12 prehearing conference on October 29th, which was held.
13 And, subsequent to that, a proposed procedural schedule
14 was filed and approved by a secretarial letter on
15 November 5th and scheduled this hearing on temporary
16 rates.

17 So, we'll start by taking appearances.

18 MR. ST. CYR: Good afternoon. My name
19 is Stephen P. St. Cyr. And, with me is John Mueller, the
20 President of Eastman Sewer Company, Gayle Burns and Brian
21 Harding, representing Eastman Sewer.

22 CMSR. BELOW: Good afternoon.

23 CMSR. MORRISON: Good afternoon.

24 MS. THUNBERG: Good morning,

{DW 08-086} (Re: Temporary Rates) {12-17-08}

1 Commissioners. Marcia -- Good afternoon, Commissioners.
2 Marcia Thunberg, on behalf of Staff. And, with me today
3 is Mark Naylor, Jayson LaFlamme, Doug Brogan, and Jim
4 Lenihan. And, it is Staff's plan to have Mr. LaFlamme and
5 Mr. St. Cyr as a panel presenting the Stipulation
6 Agreement to you today. Thank you.

7 CMSR. BELOW: Okay. Good afternoon.
8 You can go ahead with the panel then.

9 MS. THUNBERG: I just have a preliminary
10 matter to raise with you. By agreement, Staff and the
11 Company have agreed to an identification of certain
12 exhibits. And, we have put a list before you of those
13 intended exhibits.

14 CMSR. BELOW: Okay. We have that list
15 of Exhibits 1 through 5. So, we'll mark those for
16 identification.

17 MS. THUNBERG: Staff will be
18 authenticating them through the witness questioning.

19 CMSR. BELOW: Okay.

20 MS. THUNBERG: Thank you.

21 (Whereupon Stephen P. St. Cyr and
22 Jayson P. LaFlamme were duly sworn and
23 cautioned by the Court Reporter.)

24 STEPHEN P. ST. CYR, SWORN

[WITNESS PANEL: St. Cyr|LaFlamme]

1 JAYSON P. LaFLAMME, SWORN

2 DIRECT EXAMINATION

3 BY MS. THUNBERG:

4 Q. Mr. St. Cyr, I'll be starting with you please, when
5 you're ready. If you could please state your name and
6 business address for the record.

7 A. (St. Cyr) My name is Stephen P. St. Cyr. And, the
8 business address is 17 Sky Oaks Drive, Biddeford,
9 Maine.

10 Q. And, can you please describe what services your company
11 offers?

12 A. (St. Cyr) The Company offers accounting, tax,
13 management, and regulatory services.

14 Q. And, do you consider those services to be within your
15 area of expertise?

16 A. (St. Cyr) Yes.

17 Q. And, what services have you specifically provided to
18 Eastman Sewer Company for this docket?

19 A. (St. Cyr) For this docket, I was involved in the
20 preparation of the original filing. That filing
21 included the rate case schedules, the testimony, and
22 other rate case requirements. It also included the
23 request for temporary rates.

24 Q. Prior to today, have you ever testified before this
{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Commission?

2 A. (St. Cyr) Yes.

3 Q. And, has that prior testimony been within your area of
4 expertise?

5 A. (St. Cyr) Yes.

6 Q. I'd like to show you a document and just have you
7 identify it for the record.

8 A. (St. Cyr) This is the original rate filing. It's in DW
9 08-086. And, it includes testimony, exhibits, and
10 other financing and rate case requirements.

11 Q. And, did you or someone under your direct control
12 prepare this document?

13 A. (St. Cyr) Yes.

14 Q. And, you are familiar with the contents of this
15 document?

16 A. (St. Cyr) Yes.

17 Q. And, do you have any changes or corrections to make to
18 this document?

19 A. (St. Cyr) No.

20 MS. THUNBERG: And, Commissioners, by
21 agreement, Staff and the Company seek to have this marked
22 for identification as "Exhibit 1".

23 (The document, as described, was

24 herewith marked as Exhibit 1 for

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 identification.)

2 BY MS. THUNBERG:

3 Q. Mr. St. Cyr, I'd like to show you another document and
4 have you identify that for the record.

5 A. (St. Cyr) This was an update to the rate case schedules
6 that we initially filed in this case. The update was
7 necessary due to increases in the cost of some of the
8 projects that were initially included. And, this
9 includes revised schedules, a revised proposed report
10 for changes, and revised tariff pages.

11 Q. Thank you. And, did you prepare this document or was
12 it prepared under your direct control or supervision?

13 A. (St. Cyr) Yes.

14 Q. And, you're familiar with the contents of this
15 document?

16 A. (St. Cyr) Yes.

17 Q. And, do you have any changes or corrections to make to
18 this document?

19 A. (St. Cyr) No.

20 MS. THUNBERG: And, Commissioners, this
21 is what Staff and the Company seek to identify as "Exhibit
22 2".

23 CMSR. BELOW: Okay. We'll so mark it.

24 (The document, as described, was

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 herewith marked as Exhibit 2 for
2 identification.)

3 BY MS. THUNBERG:

4 Q. A third document, Mr. St. Cyr, I'd appreciate if you
5 could identify that for the record please.

6 A. (St. Cyr) This is the Company's responses to Staff Data
7 Requests Set 1, and includes 15 requests and responses.

8 Q. And, did you prepare these responses?

9 A. (St. Cyr) Yes.

10 Q. And, do you have any changes or corrections to make to
11 any of the responses?

12 A. (St. Cyr) No.

13 MS. THUNBERG: And, Commissioners, this
14 is the document that Staff and the Company seek to
15 identify as "Exhibit 3".

16 CMSR. BELOW: We will mark that for
17 identification as "Exhibit 3".

18 (The document, as described, was
19 herewith marked as Exhibit 3 for
20 identification.)

21 BY MS. THUNBERG:

22 Q. And, keep going here, Mr. St. Cyr, I'd like to show you
23 another document and have you identify it for the
24 record.

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 A. (St. Cyr) This is the Stipulation Agreement signed by
2 the Company and Staff on the temporary rates. It's
3 dated December 11, 2008.

4 Q. And, did you participate in the drafting of this
5 document?

6 A. (St. Cyr) Yes.

7 Q. And, do you have any changes or corrections to make to
8 this document?

9 A. (St. Cyr) No.

10 MS. THUNBERG: And, Commissioners, Staff
11 and the Company seek to have this marked for
12 identification as "Exhibit 4".

13 CMSR. BELOW: We'll mark that as
14 "Exhibit 4" for identification.

15 (The document, as described, was
16 herewith marked as Exhibit 4 for
17 identification.)

18 BY MS. THUNBERG:

19 Q. Mr. St. Cyr, do you have Exhibit 1 in front of you,
20 which was the initial filing?

21 A. (St. Cyr) I do.

22 Q. And, in that filing, there's prefiled testimony by you,
23 is that correct?

24 A. (St. Cyr) Yes.

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Q. And, if you were asked those same questions today,
2 would your answers be the same?

3 A. (St. Cyr) Yes.

4 Q. And, do you adopt your testimony in this Exhibit 1 as
5 part of your testimony today?

6 A. (St. Cyr) Yes.

7 Q. And, do you have any changes or corrections that you
8 wish to make to your testimony that's in Exhibit 1?

9 A. (St. Cyr) No.

10 Q. Okay. Mr. St. Cyr, with respect to the filing, is it
11 accurate that there were three components to it; a
12 financing, a request for temporary rates, and a
13 permanent rate portion of the filing?

14 A. (St. Cyr) Yes.

15 Q. And, is your testimony today concerning just the
16 temporary rate portion?

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

18 Q. Mr. St. Cyr, how many customers does Eastman serve?

19 A. (St. Cyr) The Company has 535 customers, 533 of those
20 are residential and two are commercial.

21 Q. And, can you please provide some background as to why
22 Eastman Sewer Company is seeking a rate increase?

23 A. (St. Cyr) In 2007, the test year, the Company's net
24 operating loss was \$9,749. When the Company added the

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 net loss to its operating income requirement and the
2 related taxes, it realized a revenue deficiency of
3 \$20,960.

4 Q. Now, Mr. St. Cyr, if I could draw your attention to
5 Exhibit 1. And, for the record, it is Page 58 of this
6 exhibit, but it is also six pages back from the back of
7 Exhibit 1. Can you find that? It's entitled
8 "Schedule 1 Computation of Revenue Deficiency for
9 Temporary Rates".

10 A. (St. Cyr) Yes, I have it.

11 Q. And, when you mention a revenue deficiency of "20,960"
12 this is the schedule that you're referring to?

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

14 MS. THUNBERG: And, Commissioners, do
15 you need additional time to find this?

16 BY THE WITNESS:

17 A. (St. Cyr) This is on the schedule, about halfway down,
18 the "Net Operating Income", which is further supported
19 by Schedule 4, the net loss is the \$9,749. And, the
20 Company is adding that net loss to what's known as the
21 "Operating Income Requirement". And, when you also add
22 in the taxes related to that, the deficiency represents
23 \$20,960. And, what that really means is that the
24 Company not only did not earn its authorized rate of

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 return, but was not able to cover its operating
2 expenses in the year 2000, and it continues to be in
3 that position -- I'm sorry, the year 2007, and
4 continues to be in that position in 2008.

5 MS. THUNBERG: Commissioners, just for
6 the record, my mistake when I referred you to the last six
7 pages. It's actually the last 12 pages. I forgot that
8 they were duplexed. Thank you.

9 BY MS. THUNBERG:

10 Q. Mr. St. Cyr, if I could move onto the issue of the
11 temporary rate level that Eastman is providing -- or,
12 seeking. Can you please explain what Eastman is
13 seeking for temporary rates?

14 A. (St. Cyr) The Company is seeking the \$20,960. This
15 represents a 18.74 percent increase for the average
16 residential customer.

17 Q. Mr. St. Cyr, if I could just have you visit an issue
18 about the Capital Reserve Fund. Are you familiar with
19 Eastman Sewer Company maintaining a Capital Reserve
20 Fund?

21 A. (St. Cyr) Yes.

22 Q. And, are you familiar with how it functions?

23 A. (St. Cyr) Yes.

24 Q. And, can you just please provide a brief background as

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 to the purpose of that fund and how it is used for the
2 Company?

3 A. (St. Cyr) Yes. This Capital Reserve Fund goes back to
4 DR 90-170. The Commission ordered the Company to
5 establish the Capital Reserve Fund at the time. The
6 fund was approved substantially because the initial
7 plant was determined to be all contributed by the
8 owners. With the initial plant being contributed,
9 there's no opportunity -- the rate base would be
10 minimal, and there's no opportunity to receive cash
11 internally for the recovery of that investment or to
12 earn a return on that investment. So, essentially, it
13 had no cash flow, other than the revenue to cover its
14 operating expenses.

15 As such, the Company and the Staff
16 agreed to a rate -- a capital reserve funding
17 mechanism, whereby they were allowed to bill customers
18 on a quarterly basis, collect cash on that basis,
19 invest those funds, and then use those funds
20 specifically for capital replacements and improvements.

21 Q. Thank you, Mr. St. Cyr. Mr. LaFlamme, if I could pick
22 up with you and have you state your name and business
23 address for the record please.

24 A. (LaFlamme) Yes. My name is Jayson LaFlamme. My

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 business address is the New Hampshire Public Utilities
2 Commission, 21 South Fruit Street, Concord, New
3 Hampshire.

4 Q. And, can you please describe your position and
5 responsibilities with the Commission?

6 A. (LaFlamme) Yes. I review filings that come before the
7 Commission from water and sewer utilities. And, I
8 review the accounting and the financial aspects of
9 those filings, and in reviewing requests for rate
10 increases, and as well as requests for financings by
11 water and sewer utilities.

12 Q. Mr. LaFlamme, what do you consider to be your area of
13 expertise?

14 A. (LaFlamme) Accounting and finance.

15 Q. And, do you consider the work you perform at the
16 Commission to be within your area of expertise?

17 A. (LaFlamme) Yes, I do.

18 Q. Prior to today, have you testified before this
19 Commission?

20 A. (LaFlamme) Yes.

21 Q. And, has that prior testimony been within your area of
22 expertise?

23 A. (LaFlamme) Yes, it has.

24 Q. And, do you anticipate today's testimony to be within

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 your area of expertise?

2 A. (LaFlamme) Yes.

3 Q. Can you please describe your involvement with this
4 docket?

5 A. (LaFlamme) I reviewed the filings submitted by the
6 Company. I participated in issuing discovery with
7 regards to the Company's temporary rate request. I
8 reviewed the Company's responses, as well as
9 participated in the negotiations to come up with the
10 Stipulation Agreement that's being presented today, as
11 well as participated in the formulation of that
12 Stipulation Agreement.

13 Q. And, Mr. LaFlamme, earlier in today's hearing you've
14 heard described for identification Exhibits 1, 2, and 3
15 and 4. Are you saying that you have reviewed those
16 documents?

17 A. (LaFlamme) Yes, I have.

18 Q. Thank you. Mr. St. Cyr, I'd like to turn to you. Do
19 you have a copy of the Stipulation Agreement before
20 you?

21 A. (St. Cyr) Yes.

22 Q. Can I just have you turn to Page 3 of the agreement
23 please, and just have you summarize the terms Staff and
24 the Company have agreed to?

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 A. (St. Cyr) The terms are specifically cited in
2 Section III, "Terms" -- "Stipulated Terms", I guess
3 Subsection A, "Temporary Customer Rates". The Company
4 and Staff agreed and recommend to the Commission an
5 18.74 percent increase in sewer revenues for the
6 purpose of establishing temporary rates. If approved,
7 and with no change in the amount of the Capital Reserve
8 Funds collected for temporary rates, the total
9 effective increase in residential customers' bills
10 would be 17.20 percent. Do you want me to continue?

11 Q. If you could continue please.

12 A. (St. Cyr) The effective date that is being proposed is
13 October 6th, 2008. This was the date that customers
14 were notified of the rate change. And, this would be
15 for service rendered as of that date. And, finally,
16 with respect to the reconciliation, the Company would
17 reconcile the difference between permanent rates, when
18 the Commission ultimately approves those, to the
19 temporary rates, and propose to the Staff initially, in
20 hopes of reaching agreement, but ultimately present to
21 the Commissioners a mechanism for recovery of the
22 difference between permanent and temporary rates.

23 Q. Mr. St. Cyr, with respect to the effective date of
24 October 6, 2008, was that the date the customers were

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 mailed a direct mailing from the Company?

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

3 Q. And, there was no newspaper publication, it was a
4 direct mail, is that correct?

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

6 Q. I'd like to have you move on to discuss the impact to
7 the rates themselves. And, I'd like to draw your
8 attention to Exhibit 1, and the very last page, I
9 believe, has the customer impact. If there's another
10 schedule that I'm missing, please let me know.

11 A. (St. Cyr) I'm looking at the "Report of Proposed Rate
12 Changes for Temporary Rates". It's the last page of
13 Exhibit 1 that I have.

14 Q. Uh-huh.

15 A. (St. Cyr) I would draw your attention to the average
16 residential customer in bold, kind of in the middle of
17 that schedule. The proposed rate for the average
18 residential customer is the "242.68". That represents
19 a \$38.35 increase over the present average rate. And,
20 then, in addition to that, the Company would continue
21 to bill the average residential customer the Capital
22 Reserve component.

23 Q. And, is that the \$18.71?

24 A. (St. Cyr) Yes.

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Q. Now, with respect to when customers will see this rate
2 increase, can you tell me, explain to the Commissioners
3 please, how the proposed rate increase and the
4 effective date relates to Eastman's current billing
5 cycles?

6 A. (St. Cyr) The effective date was determined in part to
7 assure the Staff and the Commissioners that, when the
8 Company does its next billing, that it would be billing
9 for service actually rendered. And, it was our hope
10 that this temporary rate increase could, in fact, be
11 incorporated in its next billing. As a practical
12 matter, the Company sends out its billings, its next
13 billings December 15th. So, it's now presently holding
14 its December bill for the fourth quarter of 2008.

15 Q. Thank you, Mr. St. Cyr. Mr. St. Cyr, does the Company
16 have a position with respect to the just and
17 reasonableness of the proposed temporary rates that the
18 Company and Staff have agreed to?

19 A. (St. Cyr) The Company believes that the proposal is, in
20 fact, just and reasonable.

21 Q. Okay. Mr. LaFlamme, if I could turn to you next
22 please. I believe you indicated that you had reviewed
23 for this particular docket the Company's rate --
24 permanent rate filing, the supplement, and discovery.

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Have you also reviewed annual reports on file with the
2 Commission?

3 A. (LaFlamme) Yes, I did.

4 Q. And, can you please explain or provide an opinion as to
5 why Staff has agreed that the current rate or that the
6 rates proposed as temporary rates are reasonable?

7 A. (LaFlamme) Yes. As Mr. St. Cyr indicated, the Company
8 was significantly under earning during the test year,
9 2007. Staff's review of the books and records on file
10 for Eastman Sewer at the Commission corroborates that,
11 that the Company was significantly under earning during
12 the test year.

13 In addition to that, it appears from the
14 Company's data responses that that under earnings
15 position was exacerbated somewhat during the current
16 year. Specifically, the Company has increased -- has
17 experienced an increase in its contract with Water
18 Systems Operators, who oversees the operation of the
19 sewer system. That increase was precipitated by a
20 requirement by DES in the Groundwater Discharge Permit
21 that was issued to the Company in May of 2007,
22 requiring increased monitoring of the -- of the sewer
23 utility.

24 Not only that, because of the increased
{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 costs that have been experienced by the Company, it's
2 also -- its cash flow was such that it forced the
3 Company to borrow money from its shareholder this past
4 August in the amount of \$20,000.

5 So, given those -- given those factors,
6 and also given the fact that the Company is only
7 requesting to recover its revenue shortfall that it
8 experienced during the test year, that the Company
9 agrees that it would be just and reasonable for the
10 Company to have a revenue increase for temporary rates
11 at the level indicated in the Stipulation Agreement.

12 Q. Mr. LaFlamme, you referenced a document, in particular,
13 a Department of Environmental Services Discharge
14 Permit. I'd like to show you a document and have you
15 identify it for the record please.

16 A. (LaFlamme) This is the Groundwater Discharge Permit
17 that was issued to Eastman Sewer. And, it's dated "May
18 29th of 2007".

19 MS. THUNBERG: And, Commissioners, by
20 agreement, the Company and Staff seek to have this
21 document marked for identification as I believe
22 "Exhibit 5".

23 MS. CARMODY: Yes.

24 MS. THUNBERG: Thank you.

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 CMSR. BELOW: We'll so mark it as

2 "Exhibit 5".

3 (The document, as described, was

4 herewith marked as Exhibit 5 for

5 identification.)

6 BY MS. THUNBERG:

7 Q. Now, Mr. LaFlamme, was it your review of Exhibit 5 that

8 caused you to believe that the Company's expenses had

9 increased for its groundwater permitting?

10 A. (LaFlamme) Yes. Well, it corroborated the increase

11 that was indicated by the Company in its management

12 agreement with Water Systems Operators, which indicated

13 that there was a rather substantial increase in system

14 monitoring. And, the reason for that increased need

15 for monitoring was the requirement imposed by DES as

16 part of that Groundwater Discharge Permit.

17 Q. And, Mr. LaFlamme, when you mention that there's an

18 agreement with Water Systems Operators, is that

19 agreement attached to Data Response 1-15?

20 A. (LaFlamme) Yes, it is.

21 MS. THUNBERG: And, for the record, the

22 data responses are Exhibit 3.

23 BY MS. THUNBERG:

24 Q. And, Mr. LaFlamme, can you please explain why Staff has

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 agreed to the effective date proposed?

2 A. (LaFlamme) Staff has agreed to the effective date of
3 October 6 because, as indicated in Part B of the
4 stipulated terms, it coincides with the date that
5 Eastman's customers received direct notification of
6 this rate proceeding.

7 Q. Mr. LaFlamme, can you please state in general what some
8 of the benefits of allowing or authorizing a temporary
9 rate increase are?

10 A. (LaFlamme) Specifically, with regard to this particular
11 rate proceeding, it enables the Company to recover the
12 cash flow that it needs sooner, sooner than later, to
13 cover its operating expenses. For the customer, the
14 temporary rate increase that's being proposed today
15 will lessen the rate shock that customers may
16 experience once permanent rates are established by the
17 Commission at the conclusion of this proceeding.

18 Q. Now, Mr. LaFlamme, the Stipulation Agreement refers to
19 a "reconciliation". Are you familiar with that
20 process?

21 A. (LaFlamme) Yes.

22 Q. And, can you please describe what Staff's participation
23 will be in that recollection process?

24 A. (LaFlamme) Staff envisions that that process will be

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 similar as in other rate proceedings. Where the
2 Company will submit a proposal for recovery of the
3 difference between temporary and permanent rates, once
4 those permanent rates have been established. And,
5 Staff will review that proposal and will submit a
6 recommendation to the Commission for the Commission's
7 approval.

8 MS. THUNBERG: Thank you. If I can just
9 have a moment?

10 (Short pause.)

11 MS. THUNBERG: Commissioners, Staff and
12 the Company have no further direct questions for the
13 panel.

14 CMSR. BELOW: Okay.

15 BY CMSR. BELOW:

16 Q. Mr. St. Cyr, could you just clarify. You said the
17 Company is "holding" the most recent quarterly invoices
18 that normally would have gone out on December 15th or
19 have they already been sent?

20 A. (St. Cyr) We're presently holding those bills. It was
21 the Company's hope that the Commissioners could act
22 quickly in this case. In fact, they would be pleased
23 if you could authorize it from the Bench today. If
24 that's not possible, then the Commission -- or, the

{DW 08-086} (Re: Temporary Rates) {12-17-08}

[WITNESS PANEL: St. Cyr|LaFlamme]

1 Company would hope that you would issue an order in
2 such a way that we could incorporate the temporary rate
3 request in that billing. It's only a matter of a few
4 days, if not weeks, that the Company can hold that.
5 So, it creates practical problems if, in fact, the
6 temporary rate isn't authorized sooner rather than
7 later.

8 CMSR. BELOW: Okay. We understand.

9 Thank you. Okay. Is there any other matters?

10 MS. THUNBERG: No. No redirect. Thank
11 you.

12 CMSR. BELOW: Okay. Then, we will, if
13 there's no objection, we will strike the identification
14 and enter the exhibits into evidence. And, we will take
15 the matter under advisement and close the hearing. Thank
16 you.

17 MS. THUNBERG: Thank you.

18 (Whereupon the hearing ended at 2:05
19 p.m.)

20

21

22

23

24