

# **STEPHEN P. ST. CYR & ASSOC.**

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Accounting & Finance  
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Management Services

May 17, 2010

Debra Howland  
Executive Director & Secretary  
Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, N. H. 03301-2429



Re: DW 08-070 – Third Step Adjustment to Rates

Dear Ms. Howland:

In DW 08-070 the Company agreed to make a filing with the Commission summarizing the costs and the calculation of the third step adjustment revenue in the same manner as Attachment C to the Settlement Agreement. As such, the Company has substituted the actual costs for estimated costs for the projects reflected in the third step adjustment. See Attachment C. Attachment C includes revenue requirement, the plant and depreciation, the 2008 and 2009 additions to plant for Hidden Valley, the 2008 and 2009 additions to plant for Gunstock Glen and Brake Hill and property and income taxes associated with the third step increase.

Also, attached is Attachment E, Rate of Return and Attachment F, Effective Tax Factor. The Company did not make any changes to Attachments E & F. It simply utilized the rate of return from Attachment E in the determination of the revenue requirement and the tax factor in the determination of the income tax expense. Please note that the Company did not provide Attachments A (pertaining to Step 1), B (pertaining to Step 2) & D (pertaining to the combined revenue requirement for Steps 1, 2 & 3).

In addition, the Company has prepared various rate schedules including a comparison of present to proposed rates, a summary of the proposed consolidated tariff rates for the unmetered and metered systems, the calculation of the proposed minimum charge and the proposed consumption charge for the metered systems, the proposed rates and proposed revenue from the nonmetered customers and the calculation of the proposed increase.

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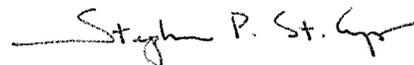
The settling parties agreed that it is appropriate, and recommended the Commission approve application of the Company's consolidated rate to the customers of its Gunstock Glen system. The Gunstock Glen system has been interconnected to the neighboring Brake Hill system. The settling parties agreed that the consolidated rate be applied to Gunstock Glen customers on a service rendered basis as of the date of the Commission's order approving the third step adjustment.

As part of the interconnection of the Gunstock Glen and Brake Hill systems, the Company had to replace the Brake Hill pump station and installed communication and monitoring equipment. While not specifically identified as part of the third step adjustment, such improvements were necessary in order to insure the integrity of both water systems.

The Company respectfully requests that the PUC Staff audit the costs, verify that the assets are used and useful and provide a recommendation to the Commission for its approval by May 31, 2010 so that the PUC can issue an order by June 30, 2010. The Company would appreciate it if Staff would provide its recommendation to the Company of its review and concurrence before filing it with the Commission.

If you, the Commissioners and/or the Staff have any questions or comments, please call me at 207-282-5222 or email me at [stephenpstcyr@yahoo.com](mailto:stephenpstcyr@yahoo.com).

Sincerely,



Stephen P. St. Cyr

Thomas Albert Mason  
Norman E. Roberge