

STEPHEN P. ST. CYR & ASSOC.

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Accounting & Finance
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May 24, 2011

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

Re: DW 08-086 Step Adjustment

Dear Ms. Howland:



In Order No. 24,989 dated July 24, 2009 the Public Utilities Commission ("PUC") approved permanent rates for Eastman Sewer Company. As part of that order, the PUC ordered that the terms of the stipulation agreement were hereby adopted and ordered as discussed herein. A summary of the stipulation agreement was incorporated into the order.

In the Stipulation Agreement between the Staff of the Public Utilities Commission ("Staff") and Eastman Sewer Company ("ESC"), the Staff and ESC agreed and recommended that the Commission grant one step adjustment to ESC's rates. The step adjustment is necessary due to planned capital improvements. At the time, the estimated costs of the capital improvements were \$344,534. Also, ESC's bank loan included \$30,000 to repay short-term loans from the Eastman Community Association ("ECA"). In addition, Staff and ESC agreed that the revenue from the step adjustment should equal the annual principal and interest payment of the value of the loan (\$374,534), and be considered as dedicated to the capital reserve. Further, Staff and ECA estimated that this step adjustment would result in additional revenues to ESC of \$52,854. See Stipulated Term D of the Stipulation Agreement dated May 28, 2009 in DW 08-086.

Once ESC has completed the capital improvements that form the basis of the step adjustment, it will submit documentation of its costs to the Staff for review and audit. Staff and ESC expect to file a joint recommendation to the Commission for implementation of the step adjustment.

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The West Cove A Pump Station project was completed in November 2010. The actual costs funded by the Lake Sunapee Bank loan were \$135,624.47. See Sewer Projects Transaction Listing by Account Name. Please note that one set of the supporting documentation for each transaction has been provided to Mr. Naylor under a separate cover letter.

The Headworks project was completed in March 2010. The actual costs funded by the Lake Sunapee Bank loan were \$222,010.21. See Sewer Project Transaction Listing by Account Name. Please note that one set of the supporting documentation for each transaction has been provided to Mr. Naylor under a separate cover letter.

In addition, ESC incurred "miscellaneous" costs funded by the Lake Sunapee Bank loan amounting to \$19,411.17. \$19,375.00 was for repayment of the ECA loan.

The total amount of the Lake Sunapee Bank loan is \$377,045.85. Also, enclosed is a loan amortization scheduled. The total amount of the loan being amortized is \$377,046. The term is 8 years and 11 months. The interest rate is 4.375%. The monthly payment of principal and interest is \$4,262. The annual payment is \$51,144. As such, ESC respectfully requests that its annual revenues be increase by \$51,144.

Finally, ESC has incurred some rate case expenditures in preparing the step adjustment filing. It anticipates incurring some additional rate case expenditures while it works with Staff in responding to any questions, reviewing the joint recommendation and submitting it to the Commission for approval. As such, ESC plans to submit its rate case expenditures and seek PUC approval to recover such expenditures.

If you have any questions or comments, please call me at 207-282-5222 or email me at stephenpstcyr@yahoo.com.

Sincerely,



Stephen P. St. Cyr

Cc: Brian Harding