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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

March 25, 2009 - 10:15 a.m.
Concord, New Hampshire

RE: DW 08-160
FOREST EDGE WATER COMPANY:
Notice of Intent to File Rate Schedules.
(Prehearing conference)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

Connie Fillion, Clerk

APPEARANCES: Reptg. Forest Edge Water Company:
Stephen P. St. Cyr
Nathaniel Sullivan

Reptg. Home Owners of Forest Edge:
Robert de Feyter
Ralph Pedersen

Reptg. PUC Staff:
Matthew J. Fossum, Esq.

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

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

2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. We'll open the prehearing conference in docket
4 DW 08-160. Forest Edge Water Company serves approximately
5 38 customers in the Forest Edge subdivision in the Town of
6 North Conway. And, on February 10, 2009, it filed rate
7 schedules, as well as a request for temporary rates.
8 Forest Edge seeks to increase its annual revenues by
9 \$10,852, in order to earn an overall return of 7 percent.
10 The new rate would result in an average annual residential
11 water bill for a single family home of approximately
12 \$485.58, which would represent an annual customer bill
13 increase of approximately 140 percent over current rates.

14 We issued an order on March 3 suspending
15 the tariffs and scheduling the prehearing conference for
16 this morning. And, I'll note that we have a Petition to
17 Intervene by the Home Owners of Forest Edge.

18 So, could we take appearances for the
19 record please.

20 MR. ST. CYR: Good morning. My name is
21 Stephen P. St. Cyr, and with is Nate Sullivan, the owner
22 of the Forest Edge Company, --

23 MR. SULLIVAN: Good morning.

24 MR. ST. CYR: -- representing the

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1 Company.

2 CHAIRMAN GETZ: Good morning.

3 CMSR. MORRISON: Good morning.

4 CMSR. BELOW: Good morning.

5 CHAIRMAN GETZ: Sir, you represent the
6 Forest Edge homeowners?

7 MR. de FEYTER: Yes. We're two of the
8 Forest Edge homeowners. By the way, there's Forest Edge
9 I, which is our development on the top of the hill, and
10 then there's Forest Edge II, which is at the bottom of the
11 hill, is the larger of two developments. We're at the top
12 of the hill. I'm Bob de Feyter and this is Ralph
13 Pedersen.

14 CHAIRMAN GETZ: Good morning.

15 MR. PEDERSEN: Thank you. Good morning.

16 MR. FOSSUM: And, good morning,
17 Commissioners. Matthew Fossum, for the Staff. And, with
18 me today is Mark Naylor, Jayson LaFlamme, Jim Lenihan, and
19 Doug Brogan.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 CHAIRMAN GETZ: Is there any objection
24 to the Petition to Intervene?

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1 MR. ST. CYR: No.

2 CHAIRMAN GETZ: Okay. Recognizing that
3 the Forest Edge homeowners have indicated rights, duties,
4 privileges or other interests that would be affected by
5 this proceeding, and that there's no objection, the
6 Petition to Intervene is granted.

7 At this time, Mr. de Feyter, I don't --
8 in a proceeding like this is an opportunity now for the
9 parties to state their position about the case. So, we'll
10 go around the room and do that, and beginning with the
11 Company. Mr. St. Cyr.

12 MR. ST. CYR: Yes. Forest Edge Water
13 Company is a small water company. It serves 38 customers
14 in Conway, New Hampshire. It has two wells, including the
15 well that was redeveloped in 2007 that's subject to this
16 proceeding, three pump stations and a number of pumps,
17 including two new ones that were -- that was done in 2007,
18 and again subject to this proceeding.

19 Thirty-eight services, no meters, and approximately
20 3,500 feet of 2-inch PVC mains.

21 At December 31, 2007, the Company had
22 total assets of approximately 29,000; 28,000 of which was
23 net utility plant, 16,000 of that was financed and
24 constructed in 2007. It has negative retained earnings of

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1 approximately \$88,000 and long-term debt of approximately
2 117,000. All of the debt is owed to its parent company,
3 Kearsarge Building Company. The Company bills twice a
4 year, and, in 2007, recorded revenues of \$7,600. It also
5 recorded expenses of approximately 23,000, resulting in a
6 net loss of approximately 16,000.

7 The Company's revenues are simply not
8 enough to meet its operating expenses. It has been 24
9 years since its last rate increase. The Company's present
10 rates were authorized in DE 84-376 by this Commission, in
11 Order Number 17,490, dated March 12, 1985.

12 The Company respectfully requests the
13 Commission to accept its filing in support of the
14 financing for the 2007 system improvements and other
15 expenditures. Also, the Company respectfully requests the
16 Commissioners to approve the increase in rates so as to
17 generate enough revenue to repay the proposed debt and to
18 cover its operating expenses. If the financing and rate
19 filing is accepted as submitted, the Company would realize
20 an annual increase in revenue of approximately \$11,000.
21 The permanent revenue increase of \$11,000 would enable the
22 Company to earn a 7 percent return on equity on its rate
23 base of approximately 32,000.

24 As the Commissioner indicated, the

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1 average annual amount for the residential customer would
2 increase from \$200 to \$485.58, an increase of \$285.58, or
3 approximately 143 percent. The Company is requesting that
4 the proposed rates be effective immediately. The Company
5 looks forward to working with Staff on the financing and
6 the rate increase, and anticipates that any issue that
7 comes up during the proceeding we'll be able to resolve
8 with the Staff and present that to the Commissioners.
9 Thank you.

10 CHAIRMAN GETZ: Okay. Thank you. Mr.
11 St. Cyr, is the affidavit of publication available or --

12 MR. ST. CYR: There was no affidavit
13 required. The Company did, in fact, notify all of the
14 individual customers and notified the Town Clerk, as
15 requested in the order and by the date indicated by the
16 order.

17 CHAIRMAN GETZ: Okay. Thank you.

18 MR. ST. CYR: You're welcome.

19 CHAIRMAN GETZ: And, Mr. de Feyter,
20 would you like to say something for the record about your
21 position in this case?

22 MR. de FEYTER: May I use your chart up
23 here for a minute?

24 CHAIRMAN GETZ: Sure. And, let me make

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1 sure I understand, based on what you said before. So, you
2 represent the Forest Edge I homeowners and that --

3 MR. de FEYTER: We represent a majority
4 of them. If this will stay here --

5 CHAIRMAN GETZ: We can just go off the
6 record here.

7 [Off the record]

8 CHAIRMAN GETZ: Okay. Well, let's get
9 back on the record. Let me make sure I understand. So,
10 you are on behalf of some of the Forest Edge I homeowners,
11 and is that five?

12 MR. de FEYTER: There actually were six
13 homeowners at the top of the hill, and one of them has put
14 in a private well. So, there are five of us who are now
15 getting water from the Forest Edge Water Company.

16 CHAIRMAN GETZ: Okay.

17 MR. de FEYTER: One we did not get a
18 response back, but the other four homeowners have sought
19 to intervene. So, that's why there's four names on that
20 original request.

21 CHAIRMAN GETZ: Okay.

22 MR. de FEYTER: Just to give you a
23 little overview, there were two developments; there was
24 Forest Edge I at the top of the hill, and Forest Edge II

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1 at the bottom. And, Forest Edge II is the larger of the
2 two developments. So, most of the houses are down here at
3 the bottom of the hill. And, the wells, which they were
4 talking about, are down here [indicating], and this is
5 where the source of water is. The water comes up the hill
6 to a large, I think it's a 10,000 gallon tank, and there's
7 some condominiums just above that tank. Then, most of the
8 water going to -- most of the water then gravity feeds
9 down to the houses at the bottom of the hill. There's a
10 second much smaller tank, I think it's a 500 gallon tank
11 with a pump, that is further up the hill, and that's what
12 services us.

13 Now, our concerns are that we've had
14 very spotty service. Any time that something goes wrong
15 anywhere in the system, we're kind of the canaries on the
16 top of the hill, and we lose our water very, very quickly.
17 So, that's our major concern. We understand that for a
18 long time there's been no increase in the rates. Nate has
19 taken over the water system fairly recent, the last couple
20 of years, and he's done some things to upgrade the system
21 down here. But our concern is that we need the rest of
22 the system updated to provide us with adequate water.

23 I have a list of some of the outages
24 we've had, this is over the last couple of years. And,

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1 this year, we've already had three, three breakdowns in
2 the water system. So, our major concern is something to
3 upgrade the system so that we can have a dependable water
4 supply.

5 We also have some issues in terms of the
6 collection of fees from various users. Down at the bottom
7 of the hill here, there's at least one house that is a
8 two-family, in what's supposed to be an area that's a
9 one-family house. There are also some houses down here
10 that I would best describe is probably being run as
11 hotels, because they rent out on a daily basis, and fill
12 up on the weekends and so forth. So, one of the other
13 issues that we'd like to bring up with the Commission as
14 to how these people should be paying into the water
15 system. It seems that they should be paying a little
16 higher rate than some of the other people. Also, there
17 are some people down here who have swimming pools, and
18 we've had problems in the spring because there's been no
19 water because they have been filling up their swimming
20 pools and sort of overwhelm the system.

21 The other thing from our point of view
22 that seems to be happening is that, particularly on
23 weekends and holidays and so forth, there's an excessive
24 demand on the system, just because of the nature, a number

1 of these houses are basically vacation houses and people
2 come up and spend their time there. There's almost a
3 pattern there. And, the pattern seems to be that we lose
4 water on a weekend, for example, we lose it, you know, New
5 Year's Day or Christmas, something like that, or we lose
6 it early in the week, like say on a Tuesday or something.
7 And, I think that what happens is that the demands on the
8 system are such that the system can't handle it. And,
9 this tank up here [indicating] is a 500 gallon tank, and
10 the system probably goes down on Saturday or Sunday, we've
11 got 500 gallons there, it lasts us for a day or two, and
12 then suddenly by Tuesday we don't have any water anymore.

13 So, these are the kinds of issues that
14 we're looking to deal with. And, we'd like to see, in
15 addition to the investments that have been made to upgrade
16 this down here [indicating], that something is done to
17 upgrade the rest of the system.

18 CHAIRMAN GETZ: Thank you. Just for
19 recordkeeping purposes, I don't think we need to introduce
20 the drawing as an exhibit, because I think Mr. de Feyter
21 did a very good job in his narrative of explaining the
22 situation. But the document that he gave us that says
23 "Forest Edge Water Company Outages", I would just suggest
24 that we make that an attachment to the Petition to

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1 Intervene for purposes of the record. Mr. Fossum.

2 MR. ST. CYR: Actually, --

3 CHAIRMAN GETZ: Mr. Fossum.

4 MR. FOSSUM: Good morning. At this
5 point, so early in the process, Staff doesn't really have
6 a position on the rate increase. But we'll be reviewing
7 this first rate increase in quite a long time in
8 accordance with normal practices, and we'll be conducting
9 a standard audit of the Company's books and records. The
10 Company, as has been noted, made a number of upgrades to
11 their water system during the test year, and a number of
12 proforma adjustments accounting for all of that. So,
13 Staff will be looking both at those upgrades and the
14 adjustments, to make sure they're accurately reflecting
15 the future financial outlook of the Company.

16 Staff also is going to be taking a look
17 at the loan and the longer term relationship between the
18 water company and its parent, the Kearsarge Building, to
19 just sort of look at the impact of the Company's finances
20 going forward. And, additionally, reviewing whether the
21 Company should continue to offer unmetered service. We
22 look forward working with the Company, with the
23 intervenors, and devising a procedural schedule, which we
24 hope we'll be able to submit to the Commission later

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1 today.

2 CHAIRMAN GETZ: Thank you. Mr. St. Cyr,
3 as the Petitioner, you get a chance to go last.

4 MR. ST. CYR: Just for accuracy, the
5 tank at the upper level is 4,000 gallons, --

6 MR. SULLIVAN: Four thousand.

7 MR. ST. CYR: -- not 500 gallons.

8 MR. SULLIVAN: Correct.

9 CHAIRMAN GETZ: Okay. Any questions?

10 CMSR. BELOW: Just out of curiosity, is
11 the tank at the top, is that physically above the homes at
12 the top or does somehow water pump up from --

13 MR. SULLIVAN: No. It's an atmospheric
14 -- there's a compressor, it's an atmospheric tank that,
15 through compression of air in the tank, forces the water
16 up above.

17 CMSR. BELOW: Okay.

18 MR. SULLIVAN: There are -- I could walk
19 you through, if you'd like, through the system?

20 CMSR. BELOW: No, that's fine.

21 MR. SULLIVAN: The system is three --
22 there are two sets of relays. You climb about 250 feet on
23 the system, up a hillside. So, the majority of homes are,
24 as Mr. de Feyter said, down below. The pumps and the

1 wells are at the very base of the system. They pump up to
2 say approximately 150 feet to the 10,000 gallon tank.
3 There's a wire relay that calls for water back and forth.
4 It's a radio-controlled system, when it reaches a certain
5 level, it sends a signal. Unfortunately, in the North
6 Country, with lightning and trees and what have you,
7 sometimes the system doesn't call the second tank, the
8 10,000 -- the 4,000 gallon tank, that's a relay system as
9 well, when that drops to a certain level.

10 Unfortunately, because of the nature of
11 the system, where you have such a length and such a
12 height, and sometimes the relays aren't always -- they
13 don't work. I've spoken to, for example, the Company that
14 does the wire relays, we're directly across from Hale's,
15 Hale's Location, and we have an issue with changing
16 frequencies, because their water and pumping stations have
17 a majority of the frequencies, we can't get an additional
18 frequency for our system. So, issues like that. So I've
19 been told.

20 CHAIRMAN GETZ: Okay. All right. So,
21 is there anything that we need to address further this
22 morning?

23 (No verbal response)

24 CHAIRMAN GETZ: Then, we will close the

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1 prehearing conference, and then the parties will engage in
2 a technical session. And, we'll await a recommendation on
3 procedures for conducting this case. Thank you, everyone.

4 (Whereupon the prehearing conference
5 ended at 10:31 a.m., and thereafter the
6 parties and Staff conducted a technical
7 session.)

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