

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION



September 2, 2009 - 10:15 a.m.
Concord, New Hampshire

**RE: DW 08-160
FOREST EDGE WATER COMPANY:
NOTICE OF INTENT TO FILE RATE SCHEDULES
(HEARING REGARDING SETTLEMENT AGREEMENT)**

PRESENT:

Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno - Clerk

APPEARANCES:

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

Representing PUC Staff:
Matthew J. Fossum, Esq.
Mark Naylor
Douglas Brogan
James Lenihan
Jayson LaFlamme

COURT REPORTER: Susan J. Robidas, LSCR/RPR No. 44

I N D E X

WITNESS PANEL: STEPHEN P. ST. CYR
 DOUGLAS BROGAN

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P R O C E E D I N G S

CHAIRMAN GETZ: Good morning, everyone. We'll open the hearing in Docket DW 08-160. It's a hearing on the settlement agreement proposed with respect to Forest Edge Water Company.

On February 10, 2009, Forest Edge filed a proposed increase in permanent rates, as well as a request for temporary rates.

On March 3, 2009, we issued an order suspending the tariffs and scheduling a prehearing conference.

On May 22nd, 2009, we issued an order approving a stipulation on temporary rates. And pursuant to the procedural schedule approved in this docket, a settlement agreement was filed on August 31, and that is the subject of the hearing this morning.

So, let's take appearances, please.

MR. ST. CYR: Good morning. My name is Stephen P. St. Cyr. And with me is Nathaniel Sullivan, representing Forest Edge Water Company.

1 CHAIRMAN GETZ: Good morning.

2 MR. deFEYTER: Good Morning.

3 I'm Bob deFeyter. I'm one of the customers and
4 one of the homeowners at Forest Edge.

5 CHAIRMAN GETZ: Good morning.

6 MR. FOSSUM: And good morning,
7 Commissioners. Matthew Fossum for Staff of the
8 Commission. And along with me is Mark Naylor,
9 Doug Brogan, Jim Lenihan and Jayson LaFlamme from
10 Staff of the Commission.

11 CHAIRMAN GETZ: Good morning.

12 Do I take it there will be a
13 panel on the settlement agreement? Or how do you
14 intend to proceed?

15 MR. FOSSUM: There will be a
16 panel of two, yes. So, Mr. St. Cyr and Mr.
17 Brogan.

18 CHAIRMAN GETZ: Okay. Thank
19 you.

20 (Whereupon, Stephen P. St. Cyr and
21 Douglas Brogan were duly sworn and
22 cautioned by the Court Reporter.)
23
24

[WITNESS PANEL: ST. CYR | BROGAN]

1 STEPHEN P. ST. CYR, SWORN

2 DOUGLAS BROGAN, SWORN

3
4 DIRECT EXAMINATION

5 BY MR. FOSSUM:

6 Q. Good morning. I guess we'll get the
7 introductions out of the way first for both
8 of you before we go on to more specific
9 questioning.

10 So, Mr. St. Cyr, if you could state
11 your name and business address for the
12 record, please.

13 A. (By Mr. St. Cyr) My name is Stephen P. St.
14 Cyr. My business address is 17 Sky Oaks
15 Drive, Biddeford, Maine.

16 Q. And what is your business?

17 A. (By Mr. St. Cyr) St. Cyr & Associates. It's
18 primarily an accounting firm. They provide
19 accounting, tax management and regulatory
20 services primarily to utilities.

21 Q. And what services have you provided for the
22 company in this matter?

23 A. (By Mr. St. Cyr) I specifically prepared the
24 initial filing, which consisted of testimony

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1 and schedules, and supported the company
2 throughout the proceeding, including
3 assisting the company in responding to their
4 requests in working with the Staff in
5 developing this settlement agreement.

6 Q. Thank you.

7 And Mr. Brogan, could you state your
8 name and business address for the record,
9 please.

10 A. (By Mr. Brogan) Douglas W. Brogan. And I
11 work here on the Staff of the Commission.

12 Q. And what's your position with the
13 Commission?

14 A. (By Mr. Brogan) I'm a utility engineer
15 working with water companies, primarily.

16 Q. And in that role, what are your primary
17 responsibilities?

18 A. (By Mr. Brogan) Reviewing physical aspects
19 of water systems, quality-of-service issues.

20 Q. And you've testified before the Commission
21 previously?

22 A. (By Mr. Brogan) Yes.

23 Q. And could you just generally describe your
24 involvement in this particular docket.

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1 A. (By Mr. Brogan) I participated in discovery
2 and the technical sessions, again, primarily
3 relating to the physical aspects of the
4 water system.

5 Q. Thank you.

6 Now, Mr. St. Cyr, a settlement
7 agreement on permanent rates was filed in
8 this matter; is that correct?

9 A. (By Mr. St. Cyr) Yes, that's correct.

10 Q. And is this, to the best of your knowledge,
11 that agreement?

12 A. (By Mr. St. Cyr) Yes, it is.

13 Q. And was this agreement prepared with your
14 participation?

15 A. Yes.

16 MR. FOSSUM: I'd like it noted
17 for the record that this settlement agreement has
18 been premarked by agreement as Exhibit 3 in this
19 proceeding.

20 CHAIRMAN GETZ: Thank you.

21 Q. And you're familiar with the contents of
22 this document?

23 A. (By Mr. St. Cyr) Yes.

24 Q. Now, could you begin with just a basic

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1 description of the water system here,
2 please.

3 A. (By Mr. St. Cyr) The water system consists
4 of roughly -- or consists of 38 customers.
5 It's two wells, three pump houses.

6 Q. Okay. Thank you. That's, yeah, really all
7 I was looking for. And just for the record,
8 the company -- when did the company last
9 adjust its water rates?

10 A. (By Mr. St. Cyr) 1985.

11 Q. Now, in the settlement agreement in this
12 case, it states that the company's total
13 revenue requirement is now \$17,608. How did
14 that number come about?

15 A. (By Mr. St. Cyr) This is the total revenue
16 requirement that's proposed in the
17 stipulations, \$17,608. It represents an
18 increase of \$10,008 over the current
19 approved annual revenue of \$7600. It's
20 derived from a calculation of rate base
21 times rate of return, plus recovery of
22 operating expenses. The sum of the return
23 and the stipulated expenses represents the
24 annual revenue requirement. The calculation

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1 itself is shown on Attachment A, Schedule 1.

2 Q. And how did you come to agree on a rate of
3 return of 7 percent?

4 A. (By Mr. St. Cyr) The company, in its initial
5 filing, proposed a financing at that time
6 representing approximately \$25- to \$26,000.
7 It represented the additions to plant that
8 were incurred in the year 2006, as well as
9 the net operating loss for that particular
10 period. At that time, we proposed
11 7 percent. Subsequently, we updated the
12 filing to include the 2008 financial
13 information. There was an additional \$8- to
14 \$9,000 of additions to plant, as well as
15 some additional operating losses. And in
16 discussions with Staff, the company and
17 Staff agreed that 7 percent was appropriate.

18 Q. Now, as part of this settlement agreement,
19 there's also a reclassification of the
20 company's long-term debt -- some of the
21 company's long-term debt into equity. Could
22 you explain that, please.

23 A. (By Mr. St. Cyr) Yes. At year-end 2008,
24 the company had a significant retained

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1 deficit amounting to approximately \$93,000,
2 and a significant amount of long-term debt,
3 approximately \$130,000. The retained
4 deficit represents the accumulation of net
5 losses over a number of years. The
6 long-term debt represented the amount of
7 money that the company borrowed from a
8 related party, again, over a number of
9 years.

10 The company, early on, knew that the
11 existing long-term debt, the \$130,000, was
12 not supported by a rate base and could not
13 possibly be paid with either existing or
14 proposed rates, and was willing to convert
15 some of that long-term debt to equity. In
16 discussions with Staff, we determined that
17 the amount that we would convert would be
18 the amount of the retained deficit. So,
19 Staff and the company agreed that we would
20 reduce the amount of debt by the amount of
21 the retained deficit, leaving the company
22 with a debt of approximately \$37,000. The
23 company believes that that amount of debt,
24 which is fairly close to the amount of rate

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1 base, is actually something that it can
2 afford to pay with the proposed rates over
3 the 20 years that is being proposed to pay
4 it back.

5 Q. Now, you say that the company had taken
6 money from a related company. What is that
7 related company?

8 A. (By Mr. St. Cyr) It's Kearsage Building
9 Company.

10 Q. And how is that company related to Forest
11 Edge Water?

12 A. (By Mr. St. Cyr) It's been fiercely
13 described as the parent company, and Forest
14 Edge being the subsidiary; although, there's
15 actually no legal justification for that.
16 The two are really one, in that the water
17 system is really a component of Kearsage
18 Building Company.

19 One of the things that the company has
20 agreed to do as part of the stipulation is
21 to set up a separate corporate entity for
22 the water company and to separate it from
23 Kearsage Building Company.

24 Q. Are there any other acts the company has --

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1 that Forest Edge has agreed to take care of
2 to define the relationship between it and
3 Kearsage?

4 A. (By Mr. St. Cyr) Yes. The current
5 relationship is really pretty loosely
6 defined. For the most part, the company has
7 used resources of Kearsage Building to fund
8 capital improvements and to cover operating
9 losses. Again, as part of this stipulation,
10 the company has agreed to not only separate
11 itself from Kearsage Building and establish
12 its own entity, but to also enter into a
13 management agreement between Kearsage
14 Building Company and itself, and to better
15 define what services and what costs the
16 company should pay to that related party.

17 Q. And regarding payments between them, you had
18 noted that there would be approximately
19 \$37,000 in long-term debt remaining after
20 the debt-to-equity conversion. How is that
21 debt going to be handled?

22 A. (By Mr. St. Cyr) The company's committed to
23 formalizing the loan agreement between
24 itself and Kearsage Building. And as part

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1 of this stipulation, we have agreed to a
2 7-percent interest rate and to pay back that
3 amount over 20 years.

4 Q. Thank you. Getting back more specifically
5 to the financials as stated in the
6 agreement, there's a note in the agreement
7 of an established setting of the operating
8 and maintenance expenses at the five-year
9 average. Could you explain that, please.

10 A. (By Mr. St. Cyr) Yes. In the company's
11 initial filing, it had proposed a three-year
12 average for certain operating and
13 maintenance expenses -- specifically,
14 maintenance and water testing. When it
15 updated its test year to 2008, it included
16 an additional year for those two specific
17 items. In discussions with Staff, Staff
18 believed that the averaging shouldn't be
19 limited to just those two particular
20 expenses that the company had identified.
21 And in looking at the overall level of
22 expenses, particularly in light of some of
23 the more recent improvements, the company,
24 too, agreed that perhaps an overall average

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1 of operating and maintenance expenses was
2 more appropriate. And the company and Staff
3 agreed to that approach.

4 Q. Thank you. Now, temporary rates are in
5 effect in this case. When did those rates
6 go into effect?

7 A. (By Mr. St. Cyr) They're effective for
8 service rendered on or after April 1, 2009.

9 Q. And that's the date on which the Staff and
10 the company, through the settlement
11 agreement, proposed for effective permanent
12 rates; is that correct?

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

14 Q. Thank you.

15 Turning to Mr. Brogan. In regard to
16 the water system itself, what is, to the
17 best of your knowledge, the operational
18 history of this water system?

19 A. (By Mr. Brogan) It's had its share of
20 problems. It's had outages, sometimes
21 lasting a day or two or more, just
22 reoccurring outages and pressure problems.
23 Just generally problems with the system, you
24 know, with reliability of the service.

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1 Q. And has the company taken any steps recently
2 to deal with some of those problems?

3 A. (By Mr. Brogan) Yes. Since the former owner
4 passed away several years ago, his son, Nate
5 Sullivan, that's here, who represents the
6 company, now has deepened an existing well
7 and replaced pumps and well meters and made
8 upgrades to electrical services and
9 telemetry and so forth to the system's pump
10 stations.

11 Q. And the settlement agreement calls for a
12 study. Why is there a study of the water
13 system needed?

14 A. (By Mr. Brogan) There's still aspects of the
15 system that need upgrade. The upper of the
16 three pump stations is in pretty tough
17 shape. And actually, in a write-up by the
18 Department of Environmental Services, it was
19 described as "structurally unsound and
20 dangerous to enter." I think everyone
21 pretty much agrees it makes sense to abandon
22 that station and move its capability down
23 into the middle station. And so the study
24 would, you know, look at how to do that and

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1 look at other improvement needs as well, and
2 just help focus the company's efforts going
3 forward.

4 Q. And under this settlement agreement, will
5 the company be able to recover the costs of
6 that study?

7 A. (By Mr. Brogan) Yes. There's a provision in
8 the settlement for a step increase. The
9 company would have to -- it's not before the
10 Commission today. The company would have to
11 request it in the future.

12 Q. All right. And once that study is
13 completed, what course of action will be
14 taken relative to it?

15 A. (By Mr. Brogan) The settlement calls for the
16 study to be done by December 31st of this
17 year. And then it calls for the parties to
18 meet in the first quarter of next year to
19 review the study and its findings, although
20 it's not explicit in the settlement, to
21 hopefully come up with -- to agree to some
22 kind of plan for improvements going forward.

23 Q. And will the company be permitted to request
24 recovery of the costs of those improvements

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1 going forward?

2 A. (By Mr. Brogan) Yes. There's another
3 provision in the settlement for improvements
4 that are completed by the end of 2011, that
5 the company can come back and request a
6 second step increase for those improvements.

7 Q. Thank you.

8 Turning back to you, Mr. St. Cyr. Are
9 there any changes, proposed changes to the
10 company's rate design as part of this
11 proceeding?

12 A. (By Mr. St. Cyr) Yes. The company currently
13 bills twice a year. I believe it's May 1
14 and November 1. As part of this
15 stipulation, the company intends to bill on
16 a quarterly basis. It would -- it hopes to
17 bill the first quarterly bill on the new
18 rates on October 1 for services provided for
19 July, August and September.

20 Q. And what is the anticipated -- what do you
21 anticipate to be the rate impact on the
22 customers?

23 A. (By Mr. St. Cyr) The current rates are \$200
24 on an annual basis. Under the stipulation,

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1 the new annual rate would be \$463.37. On a
2 quarterly basis, this breaks out to \$115.84
3 per customer.

4 Q. Now, what will -- what will there be, in
5 terms of a reconciliation between temporary
6 and permanent rates?

7 A. (By Mr. St. Cyr) The company's agreed
8 submit to Staff for their review and
9 recommendation, I believe it's within 15
10 days of the Commission's order, its
11 calculation of what the temporary rates will
12 be. If it's -- if it has a Commission order
13 by the end of the month and it's able to
14 bill the new quarterly rates on a permanent
15 basis on October 1, the period of the
16 temporary and permanent difference would
17 actually just be one quarter. It would be
18 for the period of April, May and June.

19 Q. And there would be a similar process for the
20 reconciliation of rate-case expenses?

21 A. (By Mr. St. Cyr) Yes. The company has
22 incurred some rate-case expenses along the
23 way and will submit those expenses for the
24 Commission's review and recommendation by

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1 the Staff. And it's likely that those costs
2 will be combined with the temporary and
3 permanent rate difference to come up with
4 one surcharge amount.

5 Q. And lastly, do you have an opinion about
6 whether the rates proposed in the settlement
7 agreement are just and reasonable?

8 A. (By Mr. St. Cyr) Yes, I believe they are, in
9 fact, just and reasonable.

10 MR. FOSSUM: Thank you. I
11 have nothing further at this time.

12 CHAIRMAN GETZ: Okay. Then,
13 Mr. deFeyter.

14 MR. deFEYTER: I'd just like
15 to say, first of all, that this has been a long,
16 ongoing problem. If you remember the last time
17 we met, we --

18 CHAIRMAN GETZ: Well, let me
19 just stop you for a second. At this point, if
20 you have questions --

21 MR. deFEYTER: Oh, sorry.

22 CHAIRMAN GETZ: -- for the
23 witnesses, you can ask questions now. You'll be
24 given an opportunity for a closing statement if

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1 that's what you --

2 MR. deFEYTER: Oh, no

3 questions.

4 CHAIRMAN GETZ: All right.

5 Thank you.

6 Then, Commissioner Below,

7 questions for the witnesses?

8 CMSR. BELOW: No.

9 CHAIRMAN GETZ: Commissioner
10 Ignatius?

11 CMSR. IGNATIUS: I do have --
12 I just want to clarify a couple of things, if I
13 may.

14 EXAMINATION

15 BY CMSR. IGNATIUS:

16 Q. Mr. Brogan, I guess. You were talking about
17 water quality, or the condition of the
18 pumping station. And I wanted to ask if
19 there are any other DES findings for the
20 system as to water quality.

21 A. (By Mr. Brogan) I don't believe they're in
22 violation of any DES standards at this
23 point.

24 Q. Thank you. And I also, on a financing

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1 question -- and this is at Page 5 of the
2 settlement agreement.

3 Mr. St. Cyr, the provisions of the
4 settlement agreement say that an executed
5 note with KBC will be submitted within 15
6 days of the Commission's final order. If
7 that was executed years ago, which I take
8 it -- or is this a new note? Is this a new
9 note?

10 A. (By Mr. St. Cyr) This would be a new note,
11 yes.

12 Q. All right. This is not documentation of the
13 prior lending from --

14 A. (By Mr. St. Cyr) That's correct.

15 Q. Thank you. And then, finally, at the bottom
16 of that paragraph it calls for three
17 different things to be filed, clarifying the
18 relationship between the two entities. But
19 there's no end date on when those need to be
20 filed. Has that been agreed to in this
21 case?

22 A. (By Mr. St. Cyr) I don't believe there is a
23 specific date. The company is already
24 looking into having a separate corporate

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1 entity formed and expect to have that done
2 certainly before the year end, if not within
3 the next few weeks.

4 And with respect to improving the
5 accounting and financial practices, a couple
6 of things that were pointed out in the audit
7 was the establishment of a general ledger
8 and the creation of property records for the
9 plant. The company has already set up a
10 general ledger for its 2009 transactions.
11 And with respect to property records, it has
12 not yet done that, but it needs to do a
13 physical inventory of its plant and then
14 document the actual assets and prepare those
15 assets to what we have reflected in the
16 books.

17 And then, finally, the affiliate
18 agreement -- I would actually expect that
19 all three of those things can and should be
20 done by the end of the year. In fact, I'll
21 commit to doing that here today, to make
22 sure they're in place by the end of the year
23 for all three of those items.

24 Q. Thank you.

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1 CMSR. BELOW: One question.

2 EXAMINATION

3 BY CMSR. BELOW:

4 Q. Mr. Brogan, do you also believe that the
5 proposed rates and the terms of the
6 settlement are just and reasonable?

7 A. (By Mr. Brogan) Yes.

8 Q. And in the public interest?

9 A. (By Mr. Brogan) Yes.

10 CMSR. BELOW: Okay. Thank
11 you.

12 MR. SULLIVAN: Can I speak for
13 just one piece to Commissioner Ignatius?

14 CHAIRMAN GETZ: Well, let's --
15 I don't know if you're seeking to testify or --

16 MR. SULLIVAN: Just a comment
17 on that. She asked about the quality of water
18 and the DES. We actually just received
19 notification. Our testing for lead and copper
20 will go from every year to every three years
21 because of the test for the prior three years.
22 So the quality's improved.

23 CMSR. IGNATIUS: Thank you.

24 MR. SULLIVAN: Thank you.

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1 CHAIRMAN GETZ: Let's hold on
2 and not make this a free-for-all. I have a
3 question for the witness.

4 EXAMINATION

5 BY CHAIRMAN GETZ:

6 Q. Mr. St. Cyr, I want to follow up on the
7 temporary rate recoupment. If I understand
8 you correctly, it sounds like the intention
9 is for the company to bill quarterly in
10 arrears; is that correct?

11 A. (By Mr. St. Cyr) Yes.

12 Q. So then, you're saying that if we get -- an
13 order is issued sometime this month, then
14 you would get the normal third quarter -- or
15 second-quarter billing would go out with the
16 new rates; is that correct?

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

18 Q. Which would be \$115, approximately, per
19 customer? Is that correct?

20 A. (By Mr. St. Cyr) Yes.

21 Q. So then, what would need to be recouped
22 would be the second-quarter increased
23 amount. And that would be in the
24 neighborhood of \$60-something per customer

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1 that would have to be recovered? Is that
2 accurate?

3 A. (By Mr. St. Cyr) Sixty-five dollars per;
4 essentially, one quarter difference between
5 the permanent rates and the temporary rates.

6 Q. Okay. All right. Thank you.

7 CHAIRMAN GETZ: I guess, Mr.
8 deFeyter, do you want to --

9 MR. deFEYTER: I just wanted
10 to -- to Mr. Brogan, on the issue of water
11 quality. I think there is an issue with
12 fluoride. I don't know if that's a DES
13 environmental issue. But we have received a
14 number of notices about the high levels of
15 fluoride in the water.

16 CHAIRMAN GETZ: Do you know
17 anything about that, Mr. Brogan?

18 A. (By Mr. Brogan) I'm going out on a limb a
19 little because it's been awhile since I've
20 interacted with DES and got all their
21 findings. But fluoride has both a secondary
22 and a preliminary limit. And if you're
23 between two and four milligrams per liter, I
24 think, then it's the secondary limit that

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1 requires the company to notify customers.
2 But the company doesn't have to do anything
3 about it. If the fluoride were to exceed
4 four, it becomes health issue, and then the
5 company would have to do something about it.

6 CHAIRMAN GETZ: All right.

7 Anything else for these witnesses?

8 MR. FOSSUM: Yes. I have one
9 question for clarification.

10 REDIRECT EXAMINATION

11 BY MR. FOSSUM:

12 Q. Mr. St. Cyr, you were asked about borrowing
13 the note between Forest Edge and Kearsage
14 Building. And I believe you said that this
15 would be a new note, indicating new
16 borrowing. But is this -- this is, in fact,
17 prior borrowing that was not approved by the
18 Commission; correct?

19 A. (By Mr. St. Cyr) That's correct. It's a
20 new note, in the sense that it's really the
21 formalization of debt that was previously
22 incurred that no current note exists for.
23 It's a creation of a new note in that
24 respect.

1 MR. FOSSUM: Okay. Thank you.
2 That's all.

3 CHAIRMAN GETZ: Then, anything
4 further for the witnesses?

5 (No verbal response)

6 CHAIRMAN GETZ: Hearing
7 nothing, then you're excused. Thank you,
8 gentlemen.

9 Is there any other intention
10 for testimony today?

11 (No verbal response)

12 CHAIRMAN GETZ: Okay. Hearing
13 nothing, then is there any objection to striking
14 identifications and entering Exhibit 3 as an
15 exhibit in this proceeding?

16 (No verbal response)

17 CHAIRMAN GETZ: Hearing
18 nothing, then we'll admit it into evidence.

19 (Exhibit 3 admitted into evidence.)

20 Anything that we need to
21 address before opportunity for closing
22 statements?

23 (No verbal response)

24 CHAIRMAN GETZ: Hearing

1 nothing, then we'll start with Mr. deFeyter.

2 Did you have a closing
3 statement?

4 MR. deFEYTER: Yes. Thank
5 you.

6 CLOSING STATEMENT BY MR. deFEYTER

7 MR. deFEYTER: I just wanted
8 to say this has been a long-standing problem
9 we've had with the water company. I don't know
10 if you remember when we first met here, it was
11 kind of described as kind of an unusual setup, in
12 that the wells are at the bottom of the hill for
13 most of the customers. There's a mid-level well
14 house up the hill close to some condominiums and
15 then an upper well house that services about five
16 homeowners that live up at the top of the hill.
17 And primarily that's been the problem. It's gone
18 down quite often. And a lot of work has been
19 done on the wells at the bottom of the hill. A
20 lot of work has been done at the mid-level
21 station. And I think we still have problems with
22 the upper station, getting that to work. As
23 you've heard, I guess there are plans afoot to
24 try to either do away with that upper station and

1 put the facilities down mid-level station. So
2 we're very appreciative of what Mr. Sullivan has
3 done up to this date to improve the system. And
4 it did not have much service over a long period
5 of time.

6 And we're also very
7 appreciative of the Staff and the PUC. I think
8 they've done an excellent job of coming up with a
9 proposal. And I think we'd just like to see it
10 continue in that direction. We're hopeful, for
11 the company's sake and our own sake, that if
12 improvements can be made to the system -- I think
13 a lot of the expenses they have experienced in
14 the last few years have been just putting bubble
15 gum on the system, to be honest with you, and
16 some permanent improvements probably would result
17 in lower operating costs for the water system.

18 I also want to mention that
19 you're probably thinking we had a pretty good
20 deal with \$200 for water for all these years
21 unlimited. But I'd also like to point out that
22 it's really incurred, for most of the homeowners,
23 a lot of expenses. We have, for example, a
24 booster pump on the house. And I know that's not

1 allowed by the PUC. But as a practical matter,
2 the water for so many times is low, that we
3 really need something to push up pressure, as do
4 the other homeowners. So this has been an
5 expense for us. We actually, in our house, had
6 to redo the plumbing a little bit, because the
7 system goes down so often that we do lose it. If
8 you go across the street, one of the neighbors
9 over there got disgusted with the whole thing and
10 put in their own well. And so when the water
11 system goes down for any period of time, we run a
12 hose across the street and pump water from their
13 well into our house. Strangely enough, because I
14 guess with the new designs of external faucets,
15 there's an anti-siphon valve in there. So the
16 way we used to do it, which was to hook up an
17 external faucet, no longer works. So we actually
18 had to have it re-plumbed so we could bypass it
19 and bring water in. I just bring it up to say
20 that our cost for water has been in excess of the
21 amount we've been paying to the water system. So
22 we would certainly look forward to having the
23 system improved.

24 And I guess I just wanted a

1 clarification. If this is approved, the new
2 rates would be actually effective as of the
3 second quarter of this year; is that correct?

4 CHAIRMAN GETZ: As of
5 April 1st of this year.

6 MR. deFEYTER: April 1st.
7 Correct. All right. Thank you.

8 CHAIRMAN GETZ: Mr. Fossum.

9 MR. FOSSUM: Thank you.

10 CLOSING STATEMENT BY MR. FOSSUM

11 MR. FOSSUM: I don't have just
12 a whole lot to add. The company appreciates --
13 or I'm sorry -- the Staff appreciates the
14 assistance of the company in trying to move this
15 case along pretty quickly, given the status of
16 the water system and the improvements that have
17 been made and the work that still needs to be
18 done. And we appreciate also the cooperation of
19 the homeowners in this case.

20 I guess we've negotiated a
21 settlement agreement that I believe is fair and
22 just and that will continue -- will help this
23 water system provide safe and adequate service
24 going forward, and we would request that the

1 Commission approve it. Thank you.

2 CHAIRMAN GETZ: Thank you.

3 Mr. St. Cyr.

4 CLOSING STATEMENT BY MR. ST. CYR

5 MR. ST. CYR: The company
6 obviously supports the stipulation agreement. It
7 appreciates the input it received from the
8 homeowners and enjoyed working with Staff in
9 reaching the settlement agreement. We would just
10 respectfully ask that an order be issued by the
11 end of the month so that we can in fact
12 incorporate the new rates with the October 1
13 billing. And we would further respectfully ask
14 that you approve the stipulation agreement.

15 CHAIRMAN GETZ: Okay.

16 Anything else? All set?

17 (No verbal response)

18 CHAIRMAN GETZ: All right.

19 Then, thank you very much. We'll close the
20 proceeding and take the matter under advisement.

21 (WHEREUPON, the hearing adjourned at
22 10:44 a.m.)

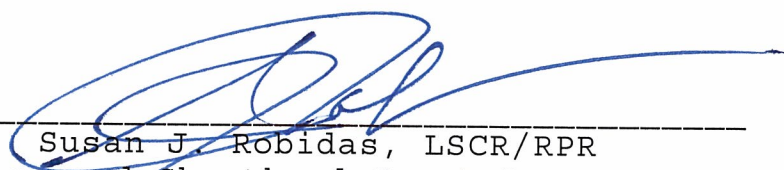
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C E R T I F I C A T E

I, Susan J. Robidas, a Licensed
Shorthand Court Reporter and Notary Public
of the State of New Hampshire, do hereby
certify that the foregoing is a true and
accurate transcript of my stenographic
notes of these proceedings taken at the
place and on the date hereinbefore set
forth, to the best of my skill and ability
under the conditions present at the time.

I further certify that I am neither
attorney or counsel for, nor related to or
employed by any of the parties to the
action; and further, that I am not a
relative or employee of any attorney or
counsel employed in this case, nor am I
financially interested in this action.



Susan J. Robidas, LSCR/RPR
Licensed Shorthand Court Reporter
Registered Professional Reporter
N.H. LCR No. 44 (RSA 310-A:173)