ORIGINAL
N.H.P.U.C. Case No. DW 08-160
Exhibit No. #2
Witness Stephen P. St. Cyr
Mark Naylor
DO NOT REMOVE FROM FILE

DW 08-160

FOREST EDGE WATER COMPANY

Petition for Financing and Permanent and Temporary Rates

STIPULATION AGREEMENT ON TEMPORARY RATES

I. BACKGROUND

On February 10, 2009, Forest Edge Water Company (Forest Edge) filed with the New Hampshire Public Utilities Commission (Commission) a petition including financial schedules and supporting testimony for financing approval, and for an increase in permanent rates. Forest Edge is a public water utility pursuant to RSA 362:2 and 362:4, and serves 38 customers in North Conway. This filing was docketed by the Commission as DW 08-160.

In its petition, Forest Edge proposed to increase its annual revenue by $10,852, or approximately 142.79%. Forest Edge stated that it experienced a net operating loss for the year ending 2007 in the amount of $15,870. The currently authorized rates for Forest Edge were approved by the Commission in 1985 and are now inadequate for the company to have an opportunity to earn a reasonable rate of return on its plant in service. Forest Edge also requested that should the Commission suspend the taking effect of its new rates as proposed, its current rates be approved as temporary rates pursuant to RSA 378:27. In support of the proposed temporary rates, Forest Edge pointed to its 2007 net operating loss as evidence that rate relief was needed.

Forest Edge's petition also requests approval, pursuant to RSA 369, of a financing which took place in 2007. Forest Edge borrowed $25,509 from its parent company, Kearsarge Building Company, Inc. (KBC) in order to cover operating losses as well as to undertake $16,375 of

capital improvements to its water system. These improvements included cleaning and deepening an existing well, new water and electrical lines, new wiring in its pump house, and installation of two new pumps.

On March 3, 2009, the Commission issued its Order No. 24,946 which suspended Forest Edge's tariff page and established a prehearing conference on March 25, 2009. Forest Edge was also ordered to provide a copy of the Commission's order to all current and known prospective customers as well as to the Town Clerk in North Conway. On March 20, 2009 the Commission received a petition to intervene from a group of four homeowners who reside in a portion of the Forest Edge system known as Forest Edge I (the Forest Edge Homeowners). The prehearing conference was held as scheduled on March 25. The Commission approved the intervention request of the homeowners from the bench. On March 25, the Commission received a request from E. Fred Hatch III to be added to the list of four homeowners who wished to intervene. On March 26 the Commission Staff (Staff) filed a letter on behalf of itself and the parties, requesting approval of a proposed procedural schedule, and requesting the Commission rule on the adequacy of notice to customers relative to Forest Edge's request for temporary rates. On April 9, the Commission, by secretarial letter, approved the proposed procedural schedule and ruled that since Order No. 24,946 was provided to all of Forest Edge's customers there was sufficient notice that rates may be changed in the docket.

Attempts to obtain the consent of the Forest Edge Homeowners to this Stipulation were unsuccessful. Accordingly, the Forest Edge Homeowners are not parties to this Stipulation and are not deemed bound by its terms.

II. PARTIES AND SCOPE OF THE STIPULATION

A. This Stipulation is entered into by Forest Edge and Staff.

B. This Stipulation constitutes the recommendation of Forest Edge and Staff with respect to temporary rates in this Docket.

C. Under this Stipulation, Forest Edge and Staff agree to this joint submission to the Commission as resolution of the issues specified herein only.

D. This Stipulation shall not be deemed an admission by Forest Edge or Staff that any allegation or contention in this proceeding by Forest Edge or Staff, other than those specifically agreed to herein, is true and valid. This Stipulation shall not be deemed to foreclose any party from taking any position in any future proceedings or in the permanent rate phase of this proceeding.

III. STIPULATED TERMS

A. Temporary Customer Rate – Forest Edge and Staff agree and recommend to the Commission that Forest Edge's current rates should be the temporary rates for the pendancy of this proceeding.

B. Effective Date – Forest Edge and Staff agree that the effective date for these temporary rates shall be April 1, 2009, on a service-rendered basis.

C. Reconciliation – Forest Edge and Staff agree that temporary rates will be subject to reconciliation pursuant to RSA 378:29 after the final determination of rates in this docket.

IV. MISCELLANEOUS

A. This Stipulation is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the Stipulation in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Stipulation, and either Forest Edge or Staff is unable to agree with said changes, conditions or findings, the Stipulation shall be deemed to be withdrawn and

shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

B. Forest Edge and Staff agree that the Commission's acceptance of the Stipulation does not constitute continuing approval of, or precedent for, any particular issue in this proceeding or future proceedings, other than those specified herein.

C. This Stipulation may be executed in multiple counterparts, which together shall constitute one agreement.

IN WITNESS WHEREOF, the signatories below have executed this Stipulation, each being fully authorized to do so, as of the day indicated below.

FOREST EDGE WATER COMPANY
By,

Date: April 24, 2009 By:_____

STAFF OF THE NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
By its Attorney,

Date: April 24, 2009 By:_____
Matthew J. Fossum, Esq.

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