

STEPHEN P. ST. CYR & ASSOC.

17 Sky Oaks Drive, Biddeford, ME 04005

PHONE: (207) 282-5222

FAX: (207) 282-5225

Accounting & Finance
Budgeting & Forecasting
Financial Statement Preparation
Regulatory Affairs
Tax Preparation & Planning
Management Services

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

Dear Ms. Howland:

On behalf of Forest Edge Water Company ("FEWC" or "Company"), enclosed is the original and seven copies of the Company's rate filing in DW 12-254. Additionally, a copy has been sent to the Consumer Advocate.

The rate filing includes the following:

- (1) Introductory letter
- (2) Report of proposed changes
- (3) Proposed tariff pages
- (4) Prefiled direct testimony of Stephen P. St. Cyr
- (5) Schedules (including adjustments)
- (6) Proposed statement to be transmitted to each customer
- (7) Responses to NHPUC 1604.01 requirements
- (8) An attestation by Stephen P. St. Cyr regarding the rate filing being an accurate reflection of Company's books

The Company believes that it has met the rate filing requirements. It is our understanding that the Commissioners will schedule a prehearing conference to consider motions for intervention and a procedural schedule. The Company anticipates filing a petition for temporary rates in the near term. The Company looks forward to working with the parties. If the Commissioners and/or its Staff have any questions, please contact me at 207-423-0215.

Sincerely,



Stephen P. St. Cyr

September 24, 2012

ORIGINAL	
N.H.P.U.C. Case No.	DW 12-254
Exhibit No.	#1
Witness	J. LaFlamme & Stephen P. St. Cyr
DO NOT REMOVE FROM FILE	



Forest Edge Water Company

DW 12-254

Petition, Testimony, Exhibits and

Other Rate Filing Requirements

Forest Edge Water Company

DW 12-254

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1. Cover Letter
2. Introductory Letter
3. Report of Proposed Changes
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7. Proposed Statement to Customers
8. Responses to 1604.01 Requirements
9. Attestation

Forest Edge Water Company
before the
New Hampshire Public Utilities Commission

DW 12-254
Introductory Letter

Forest Edge Water Company (“FEWC” or ACompany@) respectfully requests that the Commissioners accept this filing in support of its request for an increase in rates so as to generate enough revenue to allow the Company to earn its rate of return and cover its operating expenses. If the rate filing is accepted as submitted, the Company would realize an annual increase in revenues of \$8,056. The permanent revenue increase of \$8,056 would enable the Company to earn a 7.57% rate of return on its rate base of \$37,369. The proposed quarterly rate amount for a customer would increase from \$115.84 to \$163.79, an increase of \$47.95 or 41.40%.

During the twelve months ended December 31, 2011, the Company=s net operating income (loss) amounted to (\$2,239). A significant expense contributing to the net operating loss is management / bookkeeping expenses. In DW 08-160 the Company was required to file with the Commission its management agreement. However, the test year had little, if any, management / bookkeeping expenses reflected. In 2012, the Company has also incurred significant legal expenses and DES required mapping expenses. At December 31, 2011 the Company had 42 customers. The Company has made a few proforma adjustments in its filing. The proforma adjustments are an attempt to adjust test year revenue and expenses to what the Company believes such revenue and expenses need to be in order for the Company to recover its costs and to earn a fair and reasonable return on its investment. The Company is requesting that the proposed rate be effective October 1, 2012.

With respect to the specific rate filing and its exhibits and supporting schedules, we have engaged the services of Stephen P. St. Cyr of St. Cyr & Associates to prepare the rate filing and to draft and present testimony on the merits of the case. Enclosed is his testimony, the schedules and supporting documentation and the other rate filing requirements.

SPStCyr
09/24/12

Report of Proposed Rate Changes - Water

Utility	Forest Edge Water Company	Date Filed:	9/24/2012
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Tariff No.: Effective Date: 10/1/2012

Rate of Class of Service	Effect of Change	Number of Customers	Authorized Present Revenue	Proposed Revenue	Proposed Change Amount	Proposed Change Percentage
Residential	\$8,056	42	\$19,461	\$27,517	\$8,056	41.40%
Total Water	\$8,056	42	\$19,461	\$27,517	\$8,056	41.40%
Other	0	0	0	0	0	0.00%
Total	\$8,056	42	\$19,461	\$27,517	\$8,056	41.40%
Quarterly Customer Rate			\$115.84	\$163.79	\$47.95	41.40%

GENERAL SERVICE – UNMETERED

AVAILABILITY:

This service is applicable to all unmetered water service in the territory.

QUARTERLY RATES:

\$163.79 payable quarterly beginning January 1, 2013 for 4th quarter water service.

TERMS OF PAYMENT:

Bills are rendered quarterly and are due and payable upon presentation. If payment is not made within 30 days from postmarked date, disconnect action may be taken in accordance with regulations of the N. H. Public Utilities Commission.

Issued:

Issued by:

Nathaniel Sullivan

Effective: October 1, 2012

Title: President

Authorized by NHPUC Order No. ... in DW 12-254 dated ...

1 Hampstead Area Water Company
2 before the
3 New Hampshire Public Utilities Commission
4 DW 12-254

5 Direct Testimony of Stephen P. St. Cyr

6 Q. Please state your name and address.

7 A. Stephen P. St. Cyr of Stephen P. St. Cyr & Associates, 17 Sky Oaks Drive,
8 Biddeford, Me. 04005.

9 Q. Please state your present employment position and summarize your professional
10 and educational background.

11 A. I am presently employed by St. Cyr & Associates, which primarily provides
12 accounting, management, regulatory and tax services. The Company devotes a
13 significant portion of the practice to serving utilities. The Company has a number
14 of regulated water and sewer utilities among its cliental. I have prepared and
15 presented a number of rate case filings before the New Hampshire Public Utilities
16 Commission (“PUC”). Prior to establishing St. Cyr & Associates, I worked in the
17 utility industry for 16 years, holding various managerial accounting and
18 regulatory positions. I have a Business Administration degree with a
19 concentration in accounting from Northeastern University in Boston, Ma. I
20 obtained my CPA certificate in Maryland.

21

1 Q. Is St. Cyr & Associates presently providing services to Forest Edge Water
2 Company (ACompany@)?

3 A. Yes. St. Cyr & Associates assists the Company in its year end closing and
4 preparation of financial statement and tax returns. St. Cyr & Associates assists
5 the Company in various regulatory filings including financing of construction
6 projects and adjusting rates. It has been engaged to prepare the various revenue /
7 rates exhibits, supporting schedules and written testimony.

8 Q. What is the purpose of your testimony?

9 A. The purpose of my testimony is to support the Company's efforts to increase rates
10 to its customers so as to reflect in rates its 2011 management / bookkeeping
11 expenses and 2012 legal and mapping expenses.

12 Q. Please elaborate more on the management / bookkeeping and 2012 legal and
13 mapping expenses.

14 A. In DW 08-160 the Company agreed to file a proper affiliate agreement between
15 itself and its management company, Atlantic Operating and Management Corp.
16 While the Company met the requirement and filed its management agreement, the
17 rates approved in DW 08-160 included very little, if any, management costs.
18 Beginning in 2010 the Company began incurring management costs, but has been
19 unable to pay such costs.
20
21

1 In 2012 a customer filed a complaint against the Company. The Company
2 sent the customer a shut off notice 30 days after nonpayment of two quarterly
3 invoices. Customer was able to get “stay of termination of service” from court.
4 Customer claimed that the account was current. It was not. Customer also filed
5 for a stalking order against the Company’s manager. The court dismissed the
6 request for a stalking order and allowed the rest of the case to continue. In
7 addition, the customer requested damages and pain and suffering. Customer and
8 wife are elderly. During the first appearance in court, the customer had a nitro
9 glycerin attack. The Company successfully proved that customer was 2 quarters
10 in arrears. However, customer requested a 90 day extension due to hospitalization
11 of wife and wanting more time to introduce new evidence. After weighing the
12 time, effort and expense, the Company decided to attempt to settle with customer.
13 Company has agreed to write off the 2 quarterly amounts and the customer has
14 agreed to drop the suit. The Company views the settlement as the most cost
15 effective way in which to bring the matter to an end and to minimize further
16 expenses. The Company has incurred \$4,962 to date.

17
18 Also, in 2012 the Company incurred costs associated with the meeting
19 NHDES requirements for record drawings of the location of critical system
20 infrastructure, especially underground facilities. These records are currently
21 required by DES construction standards. Because of their important role for

1 efficient and reliable operations and maintenance, DES is enforcing this
2 requirement as of April 1, 2009 as follows:
3 Sanitary surveyors are citing any community water systems lacking record
4 drawings as a minor deficiency in the current survey round (2009 – 2012)
5 Sanitary surveys starting March 31, 2012 will cite the lack of record drawings as a
6 significant deficiency.
7 The Company has incurred \$5,525 to date.

8 Q. How does the management / bookkeeping, legal and mapping expenses impact
9 this rate filing?

10 A. The 2011 test year expenses include the 2011 management costs. The 2012 legal
11 and mapping expenses are included as proforma adjustments to test year
12 expenses.

13 Q. Is there anything else that you would like to address before you address the rate
14 filing and the rate schedules?

15 A. No.

16 Q. Are you familiar with the pending rate application of the Company and with the
17 various exhibits submitted as Schedules 1 through 4 inclusive, with related pages
18 and attachments?

19 A. Yes, I am. The exhibits were prepared by me, utilizing the financial records of
20 the Company with the assistance of Company personnel.
21

1 Q. What is the test year that the Company is using in this filing?

2 A. The Company is utilizing the twelve months ended December 31, 2011.

3 Q. Would you summarize the schedule entitled AComputation of Revenue
4 Deficiency for the Test Year ended December 31, 2011@

5 A. Yes. This schedule summarizes the supporting schedules. The actual revenue
6 deficiency for the test period amounts to (\$5,201). It is based upon a 5 quarter
7 average balance for 2011 of \$37,676 as summarized in Schedule 3. The
8 Company is utilizing its actual rate of return of 7.57% for the actual test year.
9 The actual rate of return of 7.57% when multiplied by the rate base of \$37,676,
10 results in an operating income requirement of \$2,852. As shown on Schedule 1,
11 the actual net operating income for the test period was (\$2,349). The operating
12 income requirement less the net operating income results in an operating income
13 deficiency of (\$5,201). The tax effect on the operating income deficiency is \$0,
14 resulting in a revenue deficiency of (\$5,201).

15 The proforma revenue deficiency for the test year amounts to \$0. The
16 Company made 1 adjustment to its rate base related to cash working capital. The
17 Company made no adjustments to its rate of return. As such, the rate of return of
18 7.57%, when multiplied by the rate base of \$37,369, results in an operating
19 income requirement of \$2,829. The Company increased its revenue by \$8,056 in
20 order to allow the Company to recover its expenses and to earn a fair and
21 reasonable return on its investment.

1 Q. Would you please summarize Schedule 1, AStatement of Income,@ for the twelve
2 months ended December 31, 2011?

3 A. The first column (column b) of Schedule 1 shows the actual operating results of
4 the Company from January 1, 2011 through December 31, 2011. The Company
5 has filed its 2011 NHPUC Annual Report, which further supports the rate filing.

6 During the twelve months ended December 31, 2011, the Company
7 operating revenues amounted to \$23,836, an increase of \$1,185 or 5%. The
8 Company customer base has remained stable. The Company had 42 customers at
9 December 31, 2011.

10 The Company=s operating expenses consists of operation and
11 maintenance expenses, depreciation and taxes other than income. Total 2011
12 operating expenses amounted to \$26,185 a decrease of \$1,135 or 4%. Operation
13 and maintenance expenses decreased \$1,841, primarily due to decreases in outside
14 services, partially offset by an increase in maintenance and purchased power
15 expenses.

16 The Company=s net operating income (loss) amounted to (\$2,349).

17 The Company reviewed a number of expense accounts in its preparation
18 of the rate filing. In its review, the Company determined that certain expenses
19 needed to be adjusted in order to reflect what would be considered normal and
20 reoccurring.

21

1 Q. Please explain each of the proforma adjustments made to revenue as shown on
2 Schedule 1, in the second column (column c) and further supported on Schedule
3 1A.

4 A. The Company made two proforma adjustments to revenue.

5 Operating Revenues

6 1. Rate Case Surcharge

7 In 2011 operating revenues include the recovery of the difference between
8 temporary rates and permanent rates and rate case expenditures from DW 08-160
9 for 3 quarters. The proforma adjustment eliminates the revenue related to the
10 temporary / permanent difference and rate case expenditures.

11 2. Revenue

12 The proforma adjustment to revenue represents the additional revenue of \$8,056
13 needed to recover the anticipated expenses and to earn a reasonable return on its
14 rate base.

15 The total proforma adjustment to revenue amounts to \$3,681.

16 Q. Did the Company make any proforma adjustments to expenses?

17 A. Yes. The Company made a number of proforma adjustments to expenses as
18 follows:

19

20

21

1 Operating and Maintenance Expenses

2 3. Purchased Power

3 In 2011 the test year has 13 months of purchase power expenses. As such, the
4 Company has adjusted test year purchased power expenses by reducing purchased
5 power for \$252 for the additional month.

6 4. Maintenance of Structures

7 In 2011 the Company made various repairs to its pumping structures including
8 patching, repairing and stuccoing water tank block building. Its total expenses
9 were \$3,020. The Company acknowledges that these specific expenses are of a
10 one time nature, but believes that there has to be some dollars in rates to support
11 maintenance of the buildings. As such, it believes that \$1,007 (\$3,020 / 3 years)
12 is an appropriate annual amount.

13 5. Outside Services – Management, Bookkeeping and Accounting

14 In 2011 the Company incurred \$3,936 and \$4,164 for management / bookkeeping
15 and accounting, respectively. Of the \$4,164 of accounting expenses, certain
16 expenses amounting to \$1,183 were related to seeking a rate increase for the
17 management / bookkeeping costs and extension of time to seek the previously
18 approved step increase. As such, the Company has reduced its Outside Services
19 by \$1,183. Please note that the Company will seek the recovery of the \$1,183 as
20 part of rate case expenditures.

21

1 6. Outside Services – Legal Expenses

2 In 2012 the Company incurred \$4,962 in legal expenses associated with a
3 complaint filed by a customer against the Company. The Company sent the
4 customer a shut off notice 30 days after nonpayment of two quarterly invoices.
5 The Company successfully proved that customer was 2 quarters in arrears.
6 However, after weighing the time, effort and expense, the Company decided to
7 attempt to settle with customer. Company has agreed to write off the 2 quarterly
8 amounts and the customer has agreed to drop the suit. The Company views the
9 settlement as the most cost effective way in which to bring the matter to an end
10 and to minimize further expenses. The Company proposed to recover the legal
11 expenses over 3 years. As such, the Company has adjusted test year expenses by
12 \$1,654 (\$4,962 / 3 years).

13 7. Outside Services – Mapping Expense

14 In 2012 the Company incurred \$5,525 in mapping the water system. These
15 drawings are required by DES construction standards Env-Ws 372.33 for small
16 community water systems. The drawings include wells, pump houses, water
17 mains, service lines, shutoffs, blowoffs, valves and the type, size & depth of
18 pipes. As such, the Company has increased its test year expenses by \$1,842
19 (\$5,525 / 3 years).

20

21

1 8. Outside Services – Audit

2 In 2012 the Company anticipates incurring outside services for expenses
3 associated with the PUC audit of the test year. The Company anticipates
4 incurring \$1,500 and proposes to reflect \$500 in the test year, essentially
5 recovering the audit related expenses over a 3 year period.

6 9. Franchise Requirements

7 In 2011 the Company incurred a late fee of \$50 on its 2011 Annual Report filed
8 with the Corporate Division of the Department of State. As such, the Company is
9 eliminating the late fee from test year expenses.

10 10. Regulatory Commission Expenses

11 In 2011 the Company charged regulatory commission expenses \$1,995 for
12 approved rate case expenditures from DW 08-160. As such, the Company is
13 eliminating the rate case expenditures from the test year.

14 The total proforma adjustment to operating and maintenance expenses
15 amounts to (\$1,497).

16 The Company made no adjustments to depreciation and taxes other than
17 income. The Company incurred no federal income or state business taxes.

18 The total proforma adjustments to operating expenses amount to (\$1,497).
19 The Company did review a number of other operating expenses, but decided that
20 the expenses are reasonable and reoccurring, and provide a proper basis in which
21 to establish future rates.

1 Q. Does column d of Schedule 1 represent the sum of the actual test year amounts
2 (column b) plus the proforma adjustments (column c)?

3 A. Yes it does.

4 Q. Does column e and f represent the revenue and expenses for the twelve months
5 ended December 31, 2010 and 2009, respectively?

6 A. Yes it does.

7 Q. Would you please explain Schedule 2 entitled ABalance Sheet@?

8 A. Yes. This schedule shows the year end balances reflected on the balance sheets of
9 the Company for 2011, 2010 and 2009.

10 Utility Plant consists of 2 wells, 3 pump houses, 2 tanks, mains and
11 service lines. The Company has no customer meters. At December 31, 2011 the
12 Company had utility plant of \$63,015. During 2011 the Company added no new
13 plant to the water system. It's total assets amounted to \$45,393.

14 The Company's Equity Capital consists of \$107,677 of other paid in
15 capital and retained earnings of (\$109,400), resulting in negative total capital of
16 (\$1,723). The Joseph E. Sullivan Revocable Trust of 1998 is the sole shareholder.
17 The Company's other long term debt outstanding amounts to \$35,608. The
18 Kearsarge Building Company, a related party, holds the debt. The Company has
19 \$10,566 of miscellaneous current and accrued liabilities, most of which is unpaid
20 bookkeeping and management costs. Total liabilities and equity amount to
21 \$45,393.

1 Q. Would you please explain Schedule 3 entitled ARate Base@?

2 A. Columns (b) - (f) show the actual balances of the rate base items as per the
3 Company's general ledger. Column (g) shows the actual 5 quarter average
4 balances, except for cash working capital, which reflects the cash working capital
5 for 2011. Column (h) shows the 2011 proforma adjustments. Column (i) shows
6 the proforma 2011 balances.

7 The rate base consists of Utility Plant, less Accumulated Depreciation,
8 plus Cash Working Capital, Material & Supplies and Prepayments. The actual 5
9 quarter average rate base amounts to \$37,676. The Company made only one
10 adjustment to rate base. The one adjustment to rate base is the adjustment to cash
11 working capital amounting to (\$308). Working capital is determined by utilizing
12 a percentage that represents the lag between the time in which the Company bills
13 its customers and receives the cash from such billing and the time that it pays for
14 expenses to provide services. It is derived by applying 75/365 days or 20.55% to
15 operating expenses. The computation of working capital is shown on schedule
16 3B. The proforma adjustments results in a cash working capital of \$4,371.

17 Q. Would you please explain Schedule 4 entitled ARate of Return Information@?

18 A. The Company's overall rates of return are 7.57% and 7.57% for 2011 actual and
19 2011 proformed, respectively. It is derived from the weighted average cost rates
20 associated with actual and proformed long term debt and equity. The Company=s
21 capital structure consists of Equity and Debt Capital. The Company has no short

1 term debt. Its Actual Equity Capital consists of \$107,677 of Other Paid in Capital
2 and Retained Earnings of (\$109,400), resulting in negative total capital of
3 (\$1,723). The Company has \$35,608 of long term debt at year end. The
4 Company made no adjustments to the capital structure.

5 Q. Would you please explain Long Term Debt and the related cost of debt. At
6 12/31/11 the Company owes Kearsarge Building Company, a related party,
7 \$35,608. The loan has a 20 year term with an interest rate of 7%. The Company
8 made no adjustments to the debt and its related costs.

9 Q. What is the Company using for the cost of common equity?

10 A. The Company is using the PUC determined cost of common equity of 9.75%.

11 Q. Please explain the Report of Proposed Rate Changes reflect in tab x of the rate
12 filing.

13 A. The Report of Proposed Rate Changes shows the rate class, the effect of the
14 revenue change, the number of customers, the authorized present revenue, the
15 proposed revenue, the proposed change amount and percentage. The proposed
16 change amount is \$8,056 or 41.40%. On a per customer basis, the quarterly
17 charge will increase \$47.95, from \$115.84 to \$163.80.

18 Q. Is the Company proposing to change the rate design?

19 A. No. The Company has applied the proposed rate increase to all its customers.

20

21

1 Q. Is there anything else that you would like to discuss?

2 A. Yes, the Company has engaged the services of Stephen P. St. Cyr & Assoc. The
3 Company has agreed to an hourly fee of \$115.00 (plus out of pocket costs) for
4 work performed in preparation of the rate filing and pursuit of the rate increase
5 during the rate proceeding. The Company will also utilize the services, i.e.,
6 management, bookkeeping, etc., of its affiliate, Atlantic Operating and
7 Management Corp. in the preparation of the rate filing and throughout the rate
8 proceeding. The Company will make every effort to minimize its rate case
9 expenses.

10 Q. Would you please summarize what the Company is requesting in this docket?

11 A. Yes, the Company is requesting a permanent revenue increase of \$8,056, effective
12 October 1, 2012. The permanent revenue increase of \$8,056 enables the
13 Company to earn a 7.57% proforma rate of return on its investment, reflected in a
14 proforma rate base of \$37,369. The proposed quarterly amount for a customer
15 will increase from \$115.84 to \$163.79, an increase of \$47.95 or 41.40%.

16 Q. Does this conclude your testimony?

17 A. Yes.

18

Forest Edge Water Company

Computation of Revenue Deficiency

For the Test Year Ended December 31, 2011

	<u>Actual</u>	<u>Proforma</u>
Rate Base (Schedule 3)	\$37,676	\$37,369
Rate of Return (Schedule 4)	<u>7.57%</u>	<u>7.57%</u>
Operating Income Required	\$2,852	\$2,829
Net Operating Income (Schedule 1)	<u>(2,349)</u>	<u>2,829</u>
Operating Income Surplus (Deficiency)	(\$5,201)	\$0
Tax Effect		<u>0</u>
Revenue Surplus (Deficiency)	<u>(\$5,201)</u>	<u>\$0</u>

Forest Edge Water Company

Schedule 1

Statement of Income

Line No.	Account Title (Number) (a)	Actual 2011 Year End Balance (b)	Proforma Adjustments (c)	Proforma 2011 Year End Balance (d)	Actual 2010 Year End Balance (e)	Actual 2009 Year End Balance (f)
	UTILITY OPERATING INCOME					
1	Operating Revenues(400)	\$ 23,836	\$3,681	\$ 27,517	\$ 22,651	\$ 14,896
2	Operating Expenses:					
3	Operating and Maintenance Expense (401)	22,768	(1,497)	21,271	23,952	15,198
4	Depreciation Expense (403)	2,729		2,729	2,689	2,648
5	Amortization of Contribution in Aid of Construction (405)					
6	Amortization of Utility Plant Acquisition Adjustment (406)					
7	Amortization Expense-Other (407)					
8	Taxes Other Than Income (408.1-408.13)	688		688	679	837
9	Income Taxes (409.1, 410.1, 411.1, 412.1)					
10	Total Operating Expenses	\$ 26,185	(1,497)	\$ 24,688	\$ 27,320	\$ 18,683
11	Net Operating Income (Loss)	(2,349)	5,178	2,829	(4,669)	(3,787)
12	Other Income and Deductions					
13	Interest and Dividend Income (419)					
14	Allow. for funds Used During Construction (420)					
15	Nonutility Income (421)					
16	Gains (Losses) From Disposition of Nonutility Property (421)					
17	Miscellaneous Nonutility Expenses (426)					
18	Interest Expense (427)	(2,694)		(2,694)	(2,758)	(65)
19	Taxes Applicable to Other Than Income (409.2, 410.2, etc.)					
20	Total Other Income and Deductions	\$ (2,694)		\$ (2,694)	\$ (2,758)	\$ (65)
21	NET INCOME (LOSS)	\$ (5,043)	\$ 5,178	\$ 135	\$ (7,427)	\$ (3,852)

Forest Edge Water Company
Statement of Income - Proforma Adjustments

Schedule 1A

Operating Revenues

1	2011 Test Year Proforma	\$19,461
	2011 Test Year Actual	<u>23,836</u>
	Proforma Adjustment	<u>(\$4,375)</u>
	To adjust test year revenues for portion of revenue related to temporary / permanent and rate case recovery	
2	2011 Test Year Proforma	\$27,517
	2011 Test Year Actual	<u>19,461</u>
	Proforma Adjustment	<u>\$8,056</u>
	To adjust test year revenues for the additional revenue needed in order for the Company to earn its rate of return and to recover its expenses.	
	Total Proforma Adjustment to Operating Revenues	<u>\$3,681</u>

Operating Expenses:

3	<u>Purchased Power</u>	
	2011 Test Year Proforma	\$3,318
	2011 Test Year Actual	<u>3,570</u>
	Proforma Adjustment	<u>(\$252)</u>
	To adjust test year expense for an additional month of purchased power expense	
4	<u>Pumping Expenses - Maintenance of Structure</u>	
	2011 Test Year Proforma	\$1,007
	2011 Test Year Actual	<u>3,020</u>
	Proforma Adjustment	<u>(\$2,013)</u>
	To adjust test year expenses to an estimate annual maintenance for the pump station structures (\$3,020 / 3 years)	
5	<u>Outside Services - Management, Bookkeeping & Accounting</u>	
	2011 Test Year Proforma	\$6,917
	2011 Test Year Actual	<u>8,100</u>
	Proforma Adjustment	<u>(\$1,183)</u>
	To adjust test year expenses for St. Cyr expenses related to step increase / mgmt exp / rate case	

6 Outside Services - Legal

2011 Test Year Proforma	\$1,654
2011 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$1,654</u>

To adjust test year expenses for legal costs incurred in 2012 for customer compliant (\$4,962 /3 years)

7 Outside Services - Engineering

2011 Test Year Proforma	\$1,842
2011 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$1,842</u>

To adjust test year expenses for engineering costs incurred in 2012 for mapping of the water system.
(\$5,525 / 3 years)

8 Outside Services - Audit

2011 Test Year Proforma	\$500
2011 Test Year Actual	<u>0</u>
Proforma Adjustment	<u>\$500</u>

To adjust test year expenses for anticipated costs as a result of PUC audit (\$1,500 / 3 years)

9 Franchise Requirements

2011 Test Year Proforma	\$402
2011 Test Year Actual	<u>452</u>
Proforma Adjustment	<u>(\$50)</u>

To adjust test year expenses for the elimination of late fee associated with corporate annual report

10 Regulatory Commission Expenses

2011 Test Year Proforma	\$100
2011 Test Year Actual	<u>2,095</u>
Proforma Adjustment	<u>(\$1,995)</u>

To adjust test year expenses for the elimination of rate case expenditure

Total Proforma Adjustments to Operation and Maintenance Expenses **(\$1,497)**

Balance Sheet - Assets and Other Debits

Line No.	Account Title (Number) (a)	Actual 2011 Year End Balance (b)	Actual 2010 Year End Balance (c)	Actual 2009 Year End Balance (d)
UTILITY PLANT				
1	Utility Plant (101-106)	\$ 63,015	\$ 63,015	\$ 59,476
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 32,971	\$ 30,242	\$ 27,553
3	Net Plant	\$ 30,044	\$ 32,773	\$ 31,923
4	Utility Plant Acquisition Adj. (Net) (114-115)			
5	Total Net Utility Plant	\$ 30,044	\$ 32,773	\$ 31,923
OTHER PROPERTY AND INVESTMENTS				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Utility Investments (124)			
10	Depreciation Funds (127)			
11	Total Other Property & Investments			
CURRENT AND ACCRUED ASSETS				
12	Cash (131)	3,725	5,584	1,553
13	Special Deposits (132)			
14	Accounts and Notes Receivable-Net (141-143)	7,882	9,009	6,541
15	Materials and Supplies (151)			
16	Prepayments (162-163)	772	770	1,181
17	Misc. Current and Accrued Assets (174)			
18	Total Current and Accrued Assets	\$ 12,379	\$ 15,363	\$ 9,275
DEFERRED DEBITS				
19	Miscellaneous Deferred Debits (186)	2,970	5,130	7,955
20	Accumulated Deferred Income Taxes (190)			
21	Total Deferred Debits	\$ 2,970	\$ 5,130	\$ 7,955
TOTAL ASSETS AND OTHER DEBITS		\$ 45,393	\$ 53,266	\$ 49,153

Balance Sheet - Equity Capital and Liabilities

Line No.	Account Title (Number) (a)	Actual 2011 Year End Balance (b)	Actual 2010 Year End Balance (c)	Actual 2009 Year End Balance (d)
	EQUITY CAPITAL			
1	Common Stock Issued (201)	\$ -	\$ -	\$ -
2	Preferred Stock Issued (204)			
3	Other Paid-In Capital (211)	107,677	107,677	92,677
4	Retained Earnings (217)	(109,400)	(104,357)	(96,929)
5	Proprietary Capital (proprietorships & partnerships) (218)			
6	Total Capital	\$ (1,723)	\$ 3,320	\$ (4,252)
	LONG TERM DEBT			
7	Other Long-Term Debt (224)	35,608	36,563	52,454
	CURRENT AND ACCRUED LIABILITIES			
8	Accounts Payable (231)	942	2,098	156
9	Notes Payable (232)			
10	Customer Deposits (235)			
11	Accrued Taxes (236)	-	-	201
12	Accrued Interest (237)			
13	Misc. Current and Accrued Liabilities (241)	10,566	11,285	594
14	Total Current and Accrued Liabilities	\$ 11,508	\$ 13,383	\$ 951
	Other Liabilities			
15	Advances for Construction (252)			
16	Other Deferred Credits (253)			
17	Accumulated Deferred Investment Tax Credit (255)			
18	Miscellaneous Operating Reserves (265)			
19	Contributions In Aid of Construction - Net (271-272)			
20	Accumulated Deferred Income Taxes (281-283)			
21	TOTAL LIABILITIES AND CAPITAL	\$ 45,393	\$ 53,266	\$ 49,153

Forest Edge Water Company

Schedule 3

Rate Base

Line No.	Account Title (a)	Actual 12/31/2010 Balance (b)	Actual 3/31/2011 Balance ©	Actual 6/30/2011 Balance (d)	Actual 9/30/2011 Balance (e)	Actual 12/31/2011 Balance (f)	Average 5 Quarters Balance (g)	Proforma Adjustments (h)	Proforma Year End Balance (i)
1	Plant in Service	\$63,015	\$63,015	\$63,015	\$63,015	\$63,015	\$63,015	\$0	\$63,015
2	Less: Accumulated Depreciation	<u>30,242</u>	<u>30,242</u>	<u>30,242</u>	<u>30,242</u>	<u>32,971</u>	<u>30,788</u>	<u>0</u>	<u>30,788</u>
3	Net Utility Plant	32,773	32,773	32,773	32,773	30,044	32,227	0	32,227
4	Cash Working Capital (1)	4,922				4,679	4,679	(308)	4,371
5	Material and Supplies	0	0	0	0	0	0		0
6	Prepayments	<u>770</u>	<u>770</u>	<u>770</u>	<u>770</u>	<u>772</u>	<u>770</u>		<u>770</u>
7	Total Rate Base	<u>\$38,465</u>	<u>\$33,543</u>	<u>\$33,543</u>	<u>\$33,543</u>	<u>\$35,495</u>	<u>\$37,676</u>	<u>(\$308)</u>	<u>\$37,369</u>
	(1) Cash Working Capital 5 Quarter Average is the same as the December 2011 Balance.								

**Forest Edge Water Company
Rate Base - Proforma Adjustments**

Schedule 3A

Plant

Accumulated Depreciation

Forest Edge Water Company

Schedule 3B

Working Capital

	2011 Proforma <u>Amount</u>	2011 Actual <u>Amount</u>	2010 Actual <u>Amount</u>
Operating and Maintenance Expenses	\$21,271	\$22,768	\$23,952
75/365	<u>20.55%</u>	<u>20.55%</u>	<u>20.55%</u>
Working Capital	<u>\$4,371</u>	<u>\$4,679</u>	<u>\$4,922</u>

Forest Edge Water Company

Schedule 4
Page 1 of 2

Rate of Return Information

Proforma Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		-5.08%		9.75%		0.00%
Long Term Debt		105.08%		7.57%		7.57%
Total Capital		100.00%				7.57%

Actual Overall Rate of Return		Component Ratio		Component Cost Rate		Weighted Average Cost Rate
Equity Capital		-5.08%		9.75%		0.00%
Long Term Debt		105.08%		7.57%		7.57%
Total Capital		100.00%				7.57%

Capital Structure for 2011 - 2009	2011 Proforma		2011 Amounts		2010 Amounts		2009 Amounts
Common Stock	\$ -		\$ -		\$ -		\$ -
Other Paid in Capital	107,677		107,677		107,677		92,677
Retained Earnings	(109,400)		(109,400)		(104,357)		(96,929)
Total Equity	\$ (1,723)		\$ (1,723)		\$ 3,320		\$ (4,252)
Long Term Debt	\$35,608		\$35,608		\$ 36,563		\$ 52,454
Total Capital	\$ 33,885		\$ 33,885		\$ 39,883		\$ 48,202

Capital Structure Ratios for 2011 - 2009	2011 Ratios		2011 Ratios		2010 Ratios		2009 Ratios
Common Stock	0.00%		0.00%		0.00%		0.00%
Other Paid in Capital	317.77%		317.77%		269.98%		192.27%
Retained Earnings	-322.86%		-322.86%		-261.66%		-201.09%
Total Equity	-5.08%		-5.08%		8.32%		-8.82%
Long Term Debt	105.08%		105.08%		91.68%		108.82%
Total Capital	100.00%		100.00%		100.00%		100.00%

Long Term Debt	2011 Prof Amount		2011 Actual Amount		2010 Actual Amount		2009 Actual Amount
Kearsarge Building Co.	\$35,608		\$35,608		\$36,563		\$52,454
Total Long Term Debt	\$35,608		\$35,608		\$36,563		\$52,454

Proforma Cost of Debt	2011 Prof Amount		Interest Rate	Interest Expense	Amortization of Fin Costs	Total Interest	Cost Rate
Kearsarge Building Co.	\$35,608		7.00%	\$2,529	\$165	\$2,694	7.57%
Total Cost of Debt	\$35,608			\$2,529	\$165	\$2,694	7.57%

Actual Cost of Debt	2011 Act Amount		Interest Rate	Interest Expense	Amortization of Fin Costs	Total Interest	Cost Rate
Kearsarge Building Co.	\$35,608		7.00%	\$2,529	\$165	\$2,694	7.57%
Total Cost of Debt	\$35,608			\$2,529	\$165	\$2,694	7.57%

Cost of Common Equity Capital	
The Company is utilizing the Commission determined cost of common equity of 9.75%.	

Forest Edge Water Company
before the
New Hampshire Public Utilities Commission
DW 08-160
Proposed Statement to Customer

October 1, 2012

Name
Address

Dear Customer,

On September 24, 2012 Forest Edge Water Company ("FEWC" or ACompany@) requested the New Hampshire Public Utilities Commission's (ANHPUC@) approval of an increase in rates to pay for operating expenses and to pay the outstanding debt. If the rate filing is accepted as submitted, the Company would realize an annual increase in permanent revenues of \$8,056 beginning October 1, 2012. The proposed quarterly rate for a customer would increase from \$115.84 to \$163.79, an increase of \$47.95 or 41.40%.

During the twelve months ended December 31, 2011, the Company's net operating income (loss) amounted to (\$2,239). A significant expense contributing to the net operating loss is management / bookkeeping expenses. Also, in 2012, the Company has also incurred significant legal expenses and NHDES required mapping expenses. The proposed increase in the rate is required in order for the Company to recover its costs and to pay its outstanding debt.

The rate increase will be subject to review and ultimate approval by the NHPUC. Customers are welcome to submit written comments to the Commission at New Hampshire Public Utilities Commission, 21 South Fruit Street, Suite 10, Concord, N. H. 03301-2429 or via email at puc@puc.nh.gov. If you have any questions or comments, please contact me at 603-356-5736.

Sincerely,

Nathaniel Sullivan

Response to certain PUC 1604.01 Full Rate Case Filing Requirements

- | | |
|---|---|
| (4) NH and federal income tax factors | The Company is not presently reflecting income taxes in its filing. |
| (16a) Payments ... in excess of \$1,000 | Please see attached list. |

SPSt. Cyr
09/21/12

Forest Edge Water Company

List of all payments in excess of \$1,000 to individuals or corporations for contractual services in the test year with a description of the purpose of the contractual services

<u>Vendor / Service Provider</u>	<u>Description of Service</u>	<u>Amount</u>
NH Electric Coop	Electric Service	\$3,377.50
FXLyons	Operations and Maintenance	\$5,078.60
St. Cyr & Associates	Accounting, Tax and Regulatory Services	\$3,534.32
Yankee Clipper	Bookkeeping	\$1,800.00
Joseph E. Sullivan Trust	Loan payment	\$6,969.12
Halls Concrete	Patch, repair and stucco water tank building	\$1,500.00
Hanover Insurance	Insurance	\$1,428.00

SPSt. Cyr
9/21/2012

September 24, 2012

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

Dear Ms. Howland:

Forest Edge Water Company=s (“FEWC” or ACompany@) filing for the proposed rate increase in DW 12-254 was prepared utilizing the Company=s books and records. To the best of my knowledge and belief, the filing, including its revenue, expenses, assets and liabilities, accurately reflects the Company=s books.

Sincerely,

Stephen P. St. Cyr