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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

May 1, 2009 - 10:07 a.m.
Concord, New Hampshire

RE: DW 08-160
FOREST EDGE WATER COMPANY:
Notice of Intent to File Rate Schedules.
(Hearing regarding temporary rates)

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

Sandy Deno, Clerk

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

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

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

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I N D E X

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PAGE NO.

4

WITNESS PANEL: STEPHEN P. ST. CYR
 MARK A. NAYLOR

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Direct examination by Mr. Fossum 4

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E X H I B I T S

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EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
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1	Initial filing including testimony, exhibits, along with other financing and rate filing requirements (08-18-08)	premarked
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2	Stipulation Agreement on Temporary Rates	premarked
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CLOSING STATEMENTS BY:

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Mr. Fossum	14
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Mr. St. Cyr	14
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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 hearing in docket DW 08-160. On
4 February 10, 2009, Forest Edge Water Company filed a
5 petition seeking approval of financing and an increase in
6 permanent rates. Forest Edge proposes to increase annual
7 revenues by \$10,852, or approximately 142.79 percent.
8 Forest Edge is also seeking temporary rates to be set at
9 current rate levels. And, an order was issued on March 3,
10 suspending the tariff page, establishing a prehearing
11 conference. Subsequent to the prehearing conference, a
12 procedural schedule was approved that included a hearing
13 on temporary rates for this morning. And, we have a
14 stipulation filed in this proceeding on April 27.

15 So, can we take appearances please.

16 MR. ST. CYR: Yes. Good morning. My
17 name is Stephen P. St. Cyr, and with me is Nathaniel
18 Sullivan, representing the Forest Edge Water Company.

19 CHAIRMAN GETZ: Good morning.

20 CMSR. MORRISON: Good morning.

21 CMSR. BELOW: Good morning.

22 MR. SULLIVAN: Good morning.

23 MR. FOSSUM: And, good morning. Matthew
24 Fossum, along with Mark Naylor Jayson LaFlamme, and Jim

{DW 08-160} [RE: Temporary Rates] {05-01-09}

[WITNESS PANEL: St. Cyr|Naylor]

1 Lenihan for Staff of the Commission.

2 CMSR. BELOW: Good morning.

3 CMSR. MORRISON: Good morning.

4 CHAIRMAN GETZ: Good morning. So, how
5 do we propose to proceed this morning?

6 MR. FOSSUM: My understanding was that
7 we were going to have a panel with Mr. St. Cyr and
8 Mr. Naylor, and sort of proceed thusly, quickly through
9 the Stipulation and Agreement on the rates.

10 CHAIRMAN GETZ: Okay. Is there anything
11 we need to address before that?

12 MR. FOSSUM: No, not at all.

13 CHAIRMAN GETZ: Okay. Please proceed.

14 (Whereupon Stephen P. St. Cyr and Mark
15 A. Naylor? was duly sworn and cautioned
16 by the Court Reporter.)

17 STEPHEN P. ST. CYR, SWORN

18 MARK A. NAYLOR, SWORN

19 DIRECT EXAMINATION

20 BY MR. FOSSUM:

21 Q. I'll start with you, Mr. St. Cyr. Could you state your
22 name and address for the record please.

23 A. (St. Cyr) Yes. My name is Stephen P. St. Cyr. And, my
24 address is 17 Sky Oaks Drive, Biddeford, Maine.

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[WITNESS PANEL: St. Cyr|Naylor]

- 1 Q. And, your company prepared the filing in the case?
- 2 A. (St. Cyr) That's correct.
- 3 Q. And, what services does your company over?
- 4 A. (St. Cyr) My company provides accounting, tax
5 management, and regulatory services.
- 6 Q. Okay. And, specifically, for the Forest Edge Water
7 Company, what services have you provided?
- 8 A. (St. Cyr) The Company reviewed and adjusted the test
9 year 2007. It prepared the initial filing, including
10 the financial schedules, the testimony, and the other
11 financing and rate requirements, including the tariff
12 pages and the proposed rate change page.
- 13 Q. Thank you. And, prior to today, have you ever
14 testified before this Commission?
- 15 A. (St. Cyr) Yes.
- 16 Q. And, I'm going to show you what has been marked by
17 agreement as "Exhibit 1". And, could you just identify
18 that for the record please.
- 19 A. (St. Cyr) This is the testimony, exhibits, and other
20 financing and rate filing requirements. This is the
21 initial filing that was made in the Company's case.
- 22 Q. Thank you. And, I'll also show you at this time what
23 has been marked by agreement as "Exhibit 2". Could you
24 identify that for the record please.

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[WITNESS PANEL: St. Cyr|Naylor]

- 1 A. (St. Cyr) This is the Stipulation Agreement on
2 Temporary Rates. This agreement was reached between
3 the Company and Staff, and is the subject of today's
4 proceeding.
- 5 Q. Thank you. Okay. And, in Exhibit 1, the initial
6 filing, there was prefiled testimony from you in that,
7 yes?
- 8 A. (St. Cyr) Yes.
- 9 Q. And, if you were to be asked the questions in that
10 testimony today, would your answers be the same as they
11 were in the prefiled testimony?
- 12 A. (St. Cyr) Yes.
- 13 Q. And, do you have any changes, corrections, additions to
14 that testimony at this time?
- 15 A. (St. Cyr) No.
- 16 Q. Now, Forest Edge is generally seeking approval for a
17 financing and a rate increase, is that correct?
- 18 A. (St. Cyr) Yes.
- 19 Q. But today we're focusing on temporary rates, correct?
- 20 A. (St. Cyr) That is correct.
- 21 Q. And, you have not prefiled testimony specifically on
22 temporary rates, correct?
- 23 A. (St. Cyr) No, I have not.
- 24 Q. Could you provide some background as to Forest Edge and

{DW 08-160} [RE: Temporary Rates] {05-01-09}

[WITNESS PANEL: St. Cyr|Naylor]

1 the customers it serves?

2 A. (St. Cyr) The Company serves 38 customers. It's a
3 small water system, consists of two wells, three pump
4 houses, and a number of pumps.

5 Q. And, why is it that Forest Edge is seeking a general
6 increase in its rates?

7 A. (St. Cyr) It's seeking a general increase for a number
8 of reasons. The first, there were some improvements
9 made in the test year, 2007, that are presently not
10 reflected in rates. In 2007, they reported a net loss
11 of \$16,870. It's revenues are not adequate to cover
12 its operating expenses. Its rates have not changed
13 since 1985, more than 24 years ago now. And, it
14 continues to have to borrow money from Kearsarge
15 Building Company, its parent company.

16 Q. And, as concerns temporary rates, could you explain
17 what temporary rates the Company is seeking today?

18 A. (St. Cyr) The Company is requesting that the existing
19 rates be made temporary.

20 Q. Thank you. Turning to Mr. Naylor, could you state your
21 name and address for the record please.

22 A. (Naylor) Yes. My name is Mark Naylor. And, my
23 business address is 21 South Fruit Street, Concord, New
24 Hampshire.

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[WITNESS PANEL: St. Cyr|Naylor]

- 1 Q. And, could you describe your position and
2 responsibilities at the Commission for the record
3 please.
- 4 A. (Naylor) I'm the Director of the Commission's Gas and
5 Water Division.
- 6 Q. And, what do you consider your expertise generally?
7 A. (Naylor) Accounting.
- 8 Q. And, have you ever testified before the Commission?
9 A. (Naylor) Yes, I have.
- 10 Q. And, could you please describe your involvement with
11 this docket specifically.
- 12 A. (Naylor) To this point, a review of the initial filing,
13 and drafting of the Stipulation that is being presented
14 today.
- 15 Q. Okay. Thank you. Turning to that Stipulation, Mr. St.
16 Cyr, do you have a copy of that in front of you?
17 A. (St. Cyr) I do.
- 18 Q. And, turning to, this is unfortunately unnumbered, but
19 the third page of that Stipulation, under III, could
20 you explain the basic terms of that Stipulation?
21 A. (St. Cyr) Yes. The Company and the Staff have agreed
22 and recommend to the Commissioners that Forest Edge's
23 current rates should be made temporary during the
24 duration of this proceeding. The effective date for

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[WITNESS PANEL: St. Cyr|Naylor]

1 such temporary rates would be April 1, 2009, on a
2 service rendered basis. And, finally, that the
3 temporary rates be subject to reconciliation pursuant
4 to RSA 378.29, and that reconciliation takes place upon
5 the Commission's final determination of rates in the
6 proceeding.

7 Q. And, do you believe that the rates will -- those
8 temporary rates would result in just and reasonable
9 rates for the Company?

10 A. (St. Cyr) Yes.

11 Q. And, turning back to Mr. Naylor, what opinion do you
12 have as to why -- or, do you have an opinion as to why
13 the Staff agreed to the current rates as temporary
14 rates in this case?

15 A. (Naylor) Yes. It's clear that a review of the
16 Company's books and records indicates that the Company
17 is in an earnings deficiency. In fact, it lost money.
18 The earnings deficiency from the test year, which is
19 2007, was exacerbated by increased costs experienced in
20 2008. It's clear that this Company needs new rates.
21 As Mr. St. Cyr indicated, the rates have not been
22 changed since 1985. The sought after permanent rate
23 increase is fairly substantial, as I recall. However,
24 the parties agree to a relatively expedited treatment

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[WITNESS PANEL: St. Cyr|Naylor]

1 of temporary rates, and that's why we agreed to have
2 the current rates as temporary.

3 The Company would like to get this
4 proceeding to a conclusion as quickly as possible. So,
5 we've agreed to simply set the current rates as
6 temporary, and move ahead with consideration of
7 permanent rates.

8 Q. Now, in reaching that Agreement, were any of the
9 intervenors in this case included in the Agreement?

10 A. (Naylor) They're not signatories to the Stipulation.
11 At the technical session following the prehearing
12 conference, we discussed the idea of temporary rates
13 with the intervenors. I don't recall there being an
14 objection on their part to temporary rates. When we
15 were preparing this document, a couple weeks ago we
16 reached out to the intervenors. Unfortunately, the
17 gentleman who seemed to be the spokesperson, if you
18 will, for the homeowners was away, and we were not able
19 to reach him. So, they're not a party to this
20 agreement. But, certainly they're aware of the
21 procedural schedule, aware that there was a temporary
22 rate hearing scheduled for today. So, I don't think
23 there's a concern that they're unaware of the agreement
24 that we're presenting today.

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[WITNESS PANEL: St. Cyr|Naylor]

1 Q. And, more generally, what would be the benefit to
2 allowing temporary rates in this case?

3 A. (Naylor) Well, certainly I think it's clear the
4 Company's entitled to temporary rates, based on its
5 test year. I guess the only concern I have with
6 respect to current rates to temporary would be the
7 potential for a fairly large recoupment. I think
8 that's mitigated to some extent by the fact that this
9 will be a fairly quick proceeding. I believe our final
10 hearing is in early September for permanent rates. So,
11 the period of recoupment will be relatively short.
12 And, certainly, we will work with the Company to
13 recover any recoupment over an appropriate period of
14 time, so as to reduce the amount of rate shock that
15 customers would see. But, I think, clearly in this
16 case, the benefit of temporary rates is that this
17 Company needs rate relief as quickly as possible.

18 Q. And, do you believe that these temporary rates in the
19 Stipulation will result in just and reasonable rates
20 for the Company?

21 A. (Naylor) Yes. The temporary rates, subject to
22 reconciliation, of course, will result in just and
23 reasonable rates at the conclusion of the proceeding.

24 MR. FOSSUM: Thank you. That's all I

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[WITNESS PANEL: St. Cyr|Naylor]

1 have.

2 BY CMSR. BELOW:

3 Q. Well, I guess I'm just a little curious. If the
4 Company's operating at a deficit, and it sounds like
5 it's a negative cash flow situation on a month to month
6 or at least an annual basis, why wouldn't some degree
7 of increase be called for in temporary rates, other
8 than the fact that you're saying, by not having any
9 controversy over temporary rates, you can kind of cut
10 to the chase and focus on the permanent rates?

11 A. (Naylor) I think the main factor is the Company's
12 desire to get the proceeding to a conclusion as quickly
13 as possible, and avoid the extra time it would take to
14 review a temporary rate filing. A review of their
15 initial filing in the case shows that there was not
16 testimony on temporary rates. And, the parties, after
17 our prehearing conference and after our technical
18 session, we submitted to the Commission a request to
19 determine whether or not the Commission felt that
20 notice that was provided for this proceeding was
21 adequate for temporary rates. And, the Commission felt
22 that it was. So, I think it's just a matter of getting
23 the proceeding going as quickly as possible and getting
24 it concluded.

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[WITNESS PANEL: St. Cyr|Naylor]

1 There's also a financing element to this
2 filing. That is, essentially, the funds advanced to
3 the utility by its parent, getting those -- getting
4 that transaction blessed. And, that's essentially the
5 money that's kept the Company going for the last year
6 or two.

7 Q. So, from the Company's point of view, the Company's
8 prepared to continue funding any operating deficit,
9 knowing that permanent rates will be, you know,
10 temporary rates will be subject to reconciliation with
11 the permanent rates?

12 A. (St. Cyr) That's correct.

13 CMSR. BELOW: Okay. Thank you.

14 BY CHAIRMAN GETZ:

15 Q. Is it fair also to say, Mr. Naylor or Mr. St. Cyr, that
16 if a temporary rate was instituted, there would be
17 issues of changing tariffs, changing billing, and there
18 would be administrative costs, and then potentially a
19 second rate change within a fairly quick period of
20 time?

21 A. (St. Cyr) To some degree, from the Company's
22 perspective, it was more motivated by just knowing that
23 making a temporary rate filing and supporting that with
24 testimony and schedules, and requiring Staff to do

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[WITNESS PANEL: St. Cyr|Naylor]

1 discovery on that, would have increased the timeline on
2 the proceeding at least two to three months and maybe
3 more. And, to some extent, the Company was looking to
4 not extend the timeline and not incur the costs in
5 order to achieve that, if they could achieve it by
6 having the existing rates be made temporary.

7 CHAIRMAN GETZ: Anything else for these
8 witnesses?

9 MR. FOSSUM: No.

10 CHAIRMAN GETZ: Hearing nothing, then
11 you're excused. Thank you, gentlemen. Is there any
12 objection to striking the identifications and admitting
13 the exhibits into evidence?

14 (No verbal response)

15 CHAIRMAN GETZ: Hearing no objection,
16 they will be admitted into evidence. Opportunity for
17 closings. Mr. Fossum.

18 MR. FOSSUM: I guess, to the extent one
19 is necessary, Staff supports the Company's request for
20 setting its current rates as temporary rates in this
21 matter.

22 CHAIRMAN GETZ: Mr. St. Cyr.

23 MR. ST. CYR: And, from the Company,
24 just simply that we obviously support the Settlement

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1 Agreement and respectfully request that the Commissioners
2 approve it. And, we thank you for your time.

3 CHAIRMAN GETZ: Okay. Thank you. Then,
4 we will close this hearing and take the matter under
5 advisement.

6 (Whereupon the hearing ended at 10:24
7 a.m.)

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