

ORIGINAL	
N.H.P.U.C. Case No.	DW 12-254
Exhibit No.	#5
Witness	Stephen St. Cyr Rayson LaFlamme
DO NOT REMOVE FROM FILE	

STATE OF NEW HAMPSHIRE

before the

PUBLIC UTILITIES COMMISSION

Notice of Intention to File a Change in Rate Schedules

Forest Edge Water Company, Inc.

Docket No. DW 12-254

STIPULATION AGREEMENT

I. PARTIES AND SCOPE OF STIPULATION

A. This stipulation agreement relating to Forest Edge Water Company, Inc.'s (Forest Edge) permanent rate filing is entered into this 22nd day of February, 2013, by and among: Staff of the New Hampshire Public Utilities Commission; Forest Edge Water Company, Inc.; Mr. Robert L. deFeyter; and Mr. Richard A. Lake (jointly, Settling Parties) representing all of the full participants in this docket.

B. This stipulation constitutes the Settling Parties' recommendation to the Commission with respect to this docket.

C. The Settling Parties agree that the terms of the stipulation are intended to resolve the issues specified herein only. The stipulation shall not be deemed an admission by the Settling Parties that any allegation or contention in this proceeding, other than those specifically agreed to herein, is true and valid. This stipulation shall not be deemed to foreclose the Staff, or other parties from taking any position in any future proceeding.

D. The Settling Parties agree and recommend that the stipulation and attachments be admitted as full exhibits and given whatever weight the Commission deems appropriate.

II. STIPULATION TERMS

A. Revenue Requirement; Rate Base; Rate of Return

The Settling Parties agree and recommend the Commission approve an increase in Forest Edge's revenue requirement by \$5,181, or 26.62%, to an annual revenue requirement of \$24,642 based on a total test year rate base of \$36,122, total operating expenses of \$21,933, and an overall rate of return of 7.50% yielding an operating income requirement of \$2,708. The overall rate of return is a weighted average cost of capital based on a cost of equity of 9.75% and a cost of long-term debt of 7.50% and where 100% of the capital is debt. (See Attachment A.)

B. Step Increase

The Settling Parties agree and recommend the Commission authorize Forest Edge one step increase for costs relating to the System Mapping required by the Department of Environmental Services (DES). The System Mapping costs will be offset by the marginal increase in revenues that may be realized by Forest Edge caused by an increase in its customer base between the date of this stipulation agreement and the date it submits its filing for the step increase. The Settling Parties estimate that the inclusion of these costs, more fully described in Attachment B to this stipulation, would increase Forest Edges' revenue requirement to \$26,352. The estimated increase would be 4.45%. The Settling Parties recommend the Commission . authorize Forest Edge to file for this step increase with the Commission no later than June 30, 2014. The step increase request will be subject to audit by the NHPUC Audit Staff. Staff and the remaining parties reserve the right to file recommendations pertaining to whether the mapping project has been completed and whether the costs are accurate and relate to the mapping project.

Forest Edge Water Company, Inc.
Stipulation Agreement

The Settling Parties further agree that commensurate with review of the increases associated with the System Mapping project, Forest Edge will update its customer count to reflect its current number of customers as of the date of its step increase filing

C. Customer Rate Impact

Forest Edge does not provide metered service; it bills its 42 customers on a quarterly basis. The Settling Parties propose no changes to Forest Edge's rate design. The Settling Parties agree and recommend the new revenue requirement be distributed among the residential customers equally, at 26.62%, such that the resulting quarterly rate will be \$146.68. This is a \$30.84 increase from the existing quarterly rate of \$115.84. The Report of Proposed Rate Changes is further detailed on Schedule 4 of Attachment A to this stipulation.

D. Rate Case Expenses

Forest Edge agrees to file within fifteen days from the date of a final order in this docket documentation of its rate case expenses as well as a proposed surcharge to recover those expenses.

E. Affiliate Agreement

The Settling Parties agree and recommend the Commission approve an affiliate agreement between Forest Edge and Atlantic Operating and Management Corp. (Atlantic). Nathaniel Sullivan is president of both companies. The affiliate agreement contracts for management and bookkeeping services from Atlantic to Forest Edge and the expenses associated with these services are included in the proposed revenue requirement.

III. MISCELLANEOUS

A. The Settling Parties agree that this stipulation may be executed in multiple counterparts, which together shall constitute one stipulation.


Forest Edge Water Company, Inc.
Stipulation Agreement

B. The Settling Parties agree that the Commission's acceptance of the stipulation does not constitute continuing approval or, or precedent for, any particular issue in this proceeding other than those specified herein.

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

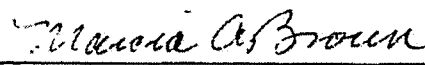
FOREST EDGE WATER COMPANY, INC.

Date: February 22, 2013

By: 
Nathaniel Sullivan, President

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

Date: February 22, 2013

By: 
Marcia A. Brown, Esq.

Date: February __, 2013

By: _____
Mr. Robert L. deFeyter, Intervenor

Date: February __, 2013

By: _____
Mr. Richard A. Lake, Intervenor

Forest Edge Water Company, Inc.
Stipulation Agreement

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FOREST EDGE WATER COMPANY, INC.

Date: February __, 2013

By: _____
Nathaniel Sullivan, President

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

Date: February __, 2013

By: _____
Marcia A. Brown, Esq.

Date: February 22, 2013

By: 
Mr. Robert L. deFeyter, Intervenor

Date: February __, 2013

By: _____
Mr. Richard A. Lake, Intervenor

**DW 12-254
FOREST EDGE WATER COMPANY
REVENUE REQUIREMENT**

Rate Base (Sch 2)	\$ 36,122
Rate of Return (Sch 1a)	<u>7.50%</u>
Operating Income Requirement	2,708
Less: Proforma Operating Income (Sch 3)	<u>(5,584)</u>
Revenue Deficiency Before Taxes	(2,875)
Divided by Tax Factor (Sch 1b)	<u>100.00%</u>
Revenue Deficiency	(2,875)
Proposed Annual Water Revenues per Company Filing (Sch 3)	<u>27,517</u>
Annual Water Revenues Proposed per Settlement	24,642
Less: Annual Water Revenues - Present Tariff*	<u>(19,461)</u>
Increase in Annual Water Revenues per Settlement	<u>\$ 5,181</u>
Percentage Increase in Annual Water Revenues per Settlement	<u>26.62%</u>

*Calculation of Annual Water Revenues-Present Tariff:

Current Quarterly Billing Rate	\$ 115.84
Current # of Customers x	42
# of Billing Quarters x	4
Pro-forma Annual Water Revenues - Present Tariff	<u><u>\$ 19,461</u></u>

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FOREST EDGE WATER COMPANY
WEIGHTED AVERAGE COST OF CAPITAL

	Capital Structure				Cost Rate	Weighted Average Cost
	Balance 12/31/11	Adjustments	Adjusted Balance	Percent		
Debt						
Long-Term Debt	\$ 35,608		\$ 35,608	100.00%	7.50%	7.50%
Short-Term Debt	-		-	0.00%	0.00%	0.00%
Total Debt	<u>35,608</u>	<u>-</u>	<u>35,608</u>	<u>100.00%</u>	<u>7.50%</u>	<u>7.50%</u>
Shareholder Equity						
Other Paid-in Capital	107,677		107,677	0.00%		
Retained Earnings	(109,400)		(109,400)	0.00%		
Total Shareholder Equity	<u>(1,723)</u>	<u>-</u>	<u>(1,723)</u>	<u>0.00%</u>	<u>9.75%</u>	<u>0.00%</u>
Total Capitalization	<u>\$ 33,885</u>	<u>\$ -</u>	<u>\$ 33,885</u>	<u>100.00%</u>		<u>7.50%</u>

	Balance	Interest Rate	Interest Expense	Annual Financing Cost	Total Financing Expense	Cost Rate
Calculation of Debt Cost Rate:						
Long-Term Debt	\$ 35,608	7.00%	\$ 2,493	\$ 177	\$ 2,670	7.50%

		↑
Annual Financing Cost:		
Original Financing Cost	\$ 3,547	
Amortization Period (Years)	20	
Annual Financing Cost	<u>\$ 177</u>	

**DW 12-254
FOREST EDGE WATER COMPANY
EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>0.00%</u>
Federal Taxable Income	100.00%
Federal Income Tax Rate	<u>0.00%</u>
Effective Federal Income Tax Rate	0.00%
Add: NH Business Profits Tax	<u>0.00%</u>
Effective Tax Rate	<u><u>0.00%</u></u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>0.00%</u>
Percent Used as a Divisor in Determining	<u><u>100.00%</u></u>
Tax Multiplier	<u><u>0.00000</u></u>

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FOREST EDGE WATER COMPANY
RATE BASE

	Balance 12/31/10	Balance 03/31/11	Balance 06/30/11	Balance 09/30/11	Balance 12/31/11	Test Year Avg Per Settlement	Test Year Avg Per Co Filing	Pro-forma Adj's Per Co Filing	Adj Rate Base Per Co Filing	Pro-forma Adj's Per Settlement	Adj #	Adj Rate Base Per Settlement
Utility Plant in Service	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ 63,015	\$ -	\$ 63,015			\$ 63,015
Less: Accumulated Depreciation	(30,242)	(30,924)	(31,607)	(32,289)	(32,971)	(31,607)	(30,788)	-	(30,788)	(819)	1	(31,607)
Net Utility Plant in Service	32,773	32,091	31,408	30,726	30,044	31,408	32,227	-	32,227	(819)		31,408
Cash Working Capital (a)	4,678	4,739	4,800	4,861	4,922	4,800	4,679	(307)	4,372	(567)	2, 3	3,805
Prepayments (b)	770	347	1,544	1,063	819	909	770	-	770	139	4	909
Miscellaneous Deferred Debits	-	-	-	-	-	-	-	-	-	-		-
Total Rate Base	<u>\$ 38,221</u>	<u>\$ 37,177</u>	<u>\$ 37,752</u>	<u>\$ 36,650</u>	<u>\$ 35,785</u>	<u>\$ 37,117</u>	<u>\$ 37,678</u>	<u>\$ (307)</u>	<u>\$ 37,369</u>	<u>\$ (1,247)</u>		<u>\$ 36,122</u>
 (a) Cash Working Capital:												
Total O & M Expenses	\$ 22,768	\$ 23,064	\$ 23,360	\$ 23,656	\$ 23,952							
Cash Working Capital % (Quarterly)	20.55%	20.55%	20.55%	20.55%	20.55%							
Cash Working Capital*	<u>\$ 4,678</u>	<u>\$ 4,739</u>	<u>\$ 4,800</u>	<u>\$ 4,861</u>	<u>\$ 4,922</u>							
 (b) Prepayments:												
Insurance	\$ 651	\$ 296	\$ 1,369	\$ 1,012	\$ 655							
Municipal Property Tax	119	-	124	-	113							
State Property Tax	-	51	51	51	51							
Total Prepayments	<u>\$ 770</u>	<u>\$ 347</u>	<u>\$ 1,544</u>	<u>\$ 1,063</u>	<u>\$ 819</u>							

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FOREST EDGE WATER COMPANY
PRO-FORMA ADJUSTMENTS TO RATE BASE PER SETTLEMENT

Adj #

Pro-forma Adjustments to Net Utility Plant in Service:

Accumulated Depreciation

1	To adjust Accumulated Depreciation to 5-quarter Avg per Settlement:		
	5-quarter Avg per Settlement	\$ (31,607)	
	Less: 5-quarter Average per Co Filing	30,788	\$ (819)

Proforma Adjustments to Working Capital:

Cash Working Capital

2	To adjust Cash Working Capital to 5-quarter Avg per Settlement:		
	5-quarter Avg per Settlement	4,800	
	Less: 5-quarter Average per Co Filing	(4,372)	\$ 428
3	To adjust Cash Working Capital component:		
	O & M Expense Adjusted Balance per Settlement (Schedule 3)	18,516	
	Cash Working Capital % (Quarterly Billing)	20.55%	
	Cash Working Capital per Settlement	3,805	
	Less: 5-quarter Average per Settlement	(4,800)	(995)

Net Adjustments - Cash Working Capital \$ (567)

Prepayments

4	To adjust Prepayments to 5-quarter Avg per Settlement:		
	5-quarter Avg per Settlement	909	
	Less: 5-quarter Average per Co Filing	(770)	\$ 139

Net Rate Base Adjustments per Settlement \$ (1,247)

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FOREST EDGE WATER COMPANY
OPERATING INCOME STATEMENT

	Actual FYE 12/31/11	Pro-forma Adj's Per Co Filing	Adjusted Bal's Per Co Filing	Pro-forma Adj's Per Settlement	Adj #	Adjusted Bal's Per Settlement	Revenue (Surplus) Deficiency	Revenue Required Per Settlement
Utility Operating Income:								
Unmetered Water Sales	\$ 23,836	\$ 3,681	\$ 27,517			\$ 27,517	\$ (2,875)	\$ 24,642
Operating Expenses:								
Pumping Expenses	8,898	(2,265)	6,633	(59)	5	6,574		6,574
Water Treatment Expenses	1,012		1,012			1,012		1,012
Transmission and Distribution Expenses	385		385			385		385
Administrative and General Expenses	12,473	768	13,241	(2,696)	6, 7	10,545		10,545
Total Operation and Maintenance Expenses	22,768	(1,497)	21,271	(2,755)		18,516	-	18,516
Depreciation Expense	2,729		2,729			2,729		2,729
Taxes other than Income	688		688			688		688
Income Taxes	-		-	-		-	-	-
Total Operating Expenses	26,185	(1,497)	24,688	(2,755)		21,933	-	21,933
Net Operating Income (Loss)	\$ (2,349)	\$ 5,178	\$ 2,829	\$ 2,755		\$ 5,584	\$ (2,875)	\$ 2,708

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FOREST EDGE WATER COMPANY
PRO-FORMA ADJUSTMENTS TO REVENUES AND EXPENSES PER SETTLEMENT

Adj #

Pro-forma Adjustments to Operating Expenses:

Pumping Expenses

5	To reflect 5-year average of Maintenance of Structures and Improvements:		
	Maint of Structures & Improvements Expense: 2007	\$	-
	2008		1,722
	2009		-
	2010		-
	2011		3,020
	5-Year Average:		948
	Less: Proposed Annual Expense per Co Filing	(1,007)	\$ (59)

Administrative and General Expenses

6	To adjust pro-forma for Outside Services - Legal Expense:		
	Annual Legal Expense per Settlement:	800	
	Less: Annual Legal Expense per Co Filing	(1,654)	(854)
7	To reverse Co pro-forma for Outside Services - Engineering Expense.		(1,842)
	Total Adjustments - Administrative and General Expenses	\$	(2,696)
	Net Increase (Decrease) in Operating Expenses per Settlement	\$	(2,755)

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FOREST EDGE WATER COMPANY
PRO-FORMA ADJUSTMENTS TO INCOME TAXES PER SETTLEMENT

INCOME TAXES

To reflect the income tax effect of pro-forma adjustments to revenue and expenses:

Operating Revenues:

Unmetered Sales	\$ -
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Operating Expenses:

Total Pro-forma Adjustments to O & M Expenses	(2,755)
Total Pro-forma Adjustments to Depreciation Expense	-
Total Pro-forma Adjustments to Taxes Other Than Income	<u>-</u>
Marginal Revenue (Expense) Subject to Income Taxes	2,755
Less: New Hampshire Business Profits Tax @ 0.00%	<u>-</u>
Amount Subject to Federal Income Tax	2,755
Less: Federal Income Tax @ 0.00%	<u>-</u>
Proforma Adjustments to Operating Revenue/Expenses net of Income Taxes	<u><u>\$ 2,755</u></u>

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FOREST EDGE WATER COMPANY
REPORT OF PROPOSED RATE CHANGES PER SETTLEMENT

<u>Service Class</u>	<u>Proposed Revenue Increase</u>	<u>Number of Customers</u>	<u>Present Revenue Requirement</u>	<u>Proposed Revenue Requirement</u>	<u>Proposed Change in Revenue</u>	<u>Proposed Percentage Change</u>
Residential	\$ 5,181	42	\$ 19,461	\$ 24,642	\$ 5,181	26.62%
Other	-	-	-	-	-	N/A
Total	<u>\$ 5,181</u>	<u>42</u>	<u>\$ 19,461</u>	<u>\$ 24,642</u>	<u>\$ 5,181</u>	<u>26.62%</u>
Quarterly Customer Rate:			<u>\$ 115.84</u>	<u>\$ 146.68</u>	<u>\$ 30.84</u>	<u>26.62%</u>

**DW 12-254
FOREST EDGE WATER COMPANY
ESTIMATED IMPACT OF PROPOSED FUTURE STEP ADJUSTMENT**

Net Estimated Additions to Rate Base:

2012 System Mapping Costs	\$ 5,525	
Less: NHDES Grant	(1,500)	
Net 2012 System Mapping Costs	<u>4,025</u>	
Estimated Additional System Mapping Costs	3,500	
Total Estimated System Mapping Costs	<u>7,525</u>	
Less: 1/2-year Accumulated Amortization @ 10.00%	(376)	
Net Addition to Rate Base for System Mapping		\$ 7,149

Estimated Cost of Service Installation for Additional Customers	2,000	
Less: 1/2-year Accumulated Depreciation @ 2.50%	(25)	
Net Estimated Cost of Service Installations	<u>1,975</u>	
Add: Increase in Cash Working Capital for Additional Customers @ 20.55%	45	
Net Addition to Rate Base for Additional Customers		<u>2,020</u>

Net Estimated Additions to Rate Base 9,169

Rate of Return (Att A; Sch 1a) 7.50%

Increase to Operating Income Requirement before Tax Effect 688

Divided by Tax Factor (Att A; Sch 1b) 100.00%

Increase to Operating Income Requirement after Tax Effect \$ 688

Net Estimated Increase in Operating Expenses:

Estimated Increase in O&M Expenses for Additional Customers*	\$ 220	
Annual Amortization Expense of System Mapping @ 10.00%	753	
Annual Depreciation Expense of Service Installation @ 2.50%	49	
Total Estimated Increase in Operating Expenses	<u>1,022</u>	
Less: Annual Revenue from Additional Customer @ \$ 146.68 per Quarter	(587)	
Net Estimated Increase in Operating Expenses		<u>436</u>

Estimated Increase in Annual Revenue Requirement from Step Adjustment \$ 1,123

Proposed Annual Water Revenues from Permanent Rates Per Settlement (Att A; Sch 1)	\$ 24,642	
Add: Annual Revenue from Additional Customers @ \$ 146.68 per Quarter	587	
Total Revenue from Permanent Rates (43 Customers)		<u>25,229</u>

Estimated Annual Revenue Requirement after Step Adjustment \$ 26,352

Estimated % Increase in Annual Water Revenues from Step Adjustment 4.45%

Proposed Quarterly Customer Rate (Permanent Rates) - Per Settlement (Att A; Sch 4) \$ 146.68

Estimated Quarterly Customer Rate after Step Adjustment \$ 153.21

DW 12-254
FOREST EDGE WATER COMPANY
ESTIMATED IMPACT OF PROPOSED FUTURE STEP ADJUSTMENT

* Estimated Increase in O&M Expenses for Additional Customers:

Total Pro-forma Test Year Operation & Maintenance Expenses (Att A; Sch 3)	\$ 18,516
Less: Estimated Fixed O&M Expenses @ 50.00%	<u>(9,258)</u>
Estimated Pro-forma Test Year Variable O&M Expenses	\$ 9,258
Number of Customers during the Pro-forma Test Year	+ 42
Estimated Pro-forma Variable O&M Cost per Customer	\$ 220
Estimated Increase in Number of Customers	x 1
Estimated Increase in O&M Expenses for Additional Customers	<u><u>\$ 220</u></u>