STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

BEDFORD WASTE SERVICES CORPORATION

DW 12-

PETITION FOR APPROVAL OF
REFINANCING OF EXISTING NOTE / PAST DUE AMOUNTS
AND FINANCING FOR
2012 LEACH FIELD REJUVENATION AND VENTS

PREFILED DIRECT TESTIMONY OF STEPHEN P. ST. CYR

Q. What is your name and business address?

A. My name is Stephen P. St. Cyr and my business address is 17 Sky Oaks Drive, Biddeford, ME.

Q. Who is your employer?

A. My employer is Stephen P. St. Cyr & Associates.

Q. What are your responsibilities in this case?

A. My responsibilities are to present Bedford Waste Services Corporation ("Company" or "Bedford") financing request and to prepare the financial exhibits and prefiled direct testimony which describes the financing and the financial schedules. In addition, I am prepared to testify in support of financing.

Q. Have you prepared testimony before this Commission?

A. Yes, I have prepared and presented testimony in numerous cases before the Public Utilities Commission, including requests for new and expanded franchises, requests for approval of State Revolving Fund ("SRF"), commercial bank and owner financings and requests for rate increases.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to present the Company's request to borrow funds from its owner, Robert S. LaMontagne, to refinance the existing 2000 Promissory Note and 3 past due semiannual payments and to finance a portion of the 2012 leach field rejuvenation / vent project.

Q. Please describe the existing 2000 Promissory Note and the 3 past due semiannual payments.

A. The existing 2000 Promissory Note ("Note") was executed January 1, 2000. The Note obligated the Company to pay its owner, Robert S. LaMontage, $192,725.00 together with interest. Semiannually each year, commencing with the year 2000, and continuing until 2020, payments of principal and interest shall be made in equal semiannual installments of $9,737.14. This Note shall bear interest at the rate of 8% per annum. At December 31, 2011 the outstanding balance on the Note was $111,837 (not including the 3 missed payments).

In 2005 the Company was unable to make 2 semiannual payments totaling $19,474.28 due to cash flow constraints. Such cash flow constraints lead to the Company filing for and receiving a rate increase in Docket DW 05-xxx. While the rate increase enabled the Company to meet its expense going forward, it did not allow the Company to generate enough cash to pay the 2 missed semiannual payments.

In 2010 the Company was unable to make 1 semiannual payment totaling $9,737.14 due to cash flow constraints. The cash flow constraints were the result of replacing 10 pumps and increased maintenance expenses.

The total of the 3 missed payments amounts to $29,211.42.

Q. What is the Company proposing to do with the existing Note and the 3 missed payments?

A. The Company is proposing to combine the existing Note and the 3 missed payments along with the addition of new funds to create one new promissory note.

Q. Before you talk about the new promissory note, please describe the 2012 leach field rejuvenation and vents.

A. In 2011 the Company engaged the services of the engineering firm, The H. L. Turner Group, Inc. ("Turner"), to conduct an assessment of the condition of the Company's five leach fields. Four of the five fields were considered in good condition. One of the five fields was considered in poor condition. Turner's November 15, 2011 report was provided to the PUC water / sewer engineer.

In 2012 the Company hired Summit Excavating, Inc. ("Summit") to rejuvenate the one leach field that was in poor condition. Summit is an affiliate of the Company and the Company filed the "affiliate agreement" with the PUC and such agreement was the subject of Docket DA 12-166. Summit completed the rejuvenation in July 2012.

Also, in 2012, the Company engaged Turner to provide construction administration services to provide independent oversight of the rejuvenation project. Turner issued its report on the rejuvenation on August 29, 2012. In its report, Turner indicated that the leach field "has been successfully rejuvenated." Also, in its report, it concluded that the Company "may wish to install additional air vents at the other four leach fields." Turner's August 29, 2012 report was provided to the PUC water / sewer engineer.

Many of the existing vents were in need of repair or replacement. As such, the Company decided to replace the existing vents and added additional vents to increase the air flow throughout the leach fields. The Company asked Turner to provide some direction with respect to the placement and size of the vents and asked Summit to install the new vents. Summit completed the installation of the vents in November 2012. The Company believes that the additional vents will extend the life of the leach fields.

Q. What did it cost to rejuvenate the one leach field and install the new vents?

A. The costs of the projects are as follows:

Rejuvenate Leach Field	$32,713
Install Vents	6,600
Total	$39,313

Q. How has the project been funded to date?

A. To date, the project has been funded with funds from a reserve account and internally generated funds. The Company still owes Summit $15,877.

Q. How is the Company proposing to finance the project?

A. Initially, the Company sought bank financing. The Company approached TDBank (the Company's bank), Centrix Bank (who the Company approached 4 years ago about refinancing the existing Note), First Colebrook Bank and Lake Sunapee Bank. None of the banks were willing to make a loan to the Company.

Q. Without being able to receive bank financing, how is the Company proposing to finance projects?

A. The Company asked its owner to finance a portion of the project.

Q. What amount of new funds is the Company asking the owner to loan?

A. The Company is asking the owner to loan $28,280.

Q. When the $28,280 of new funds is added to the existing Note and the 3 missed payments, what is the total amount of the new note?

A. $170,000.

Q. Please describe the terms and conditions of the new note.

A. The term is 15 years. The interest rate is fixed at 8%. Monthly payments are anticipated to begin in January 2013.

Q. Does the Company anticipate an increase in rates?

A. No.

Q, How is the Company able to pay for the additional funding without an increase in rates?

A. The Company is able to do so by extending the term of the new note to 15 years.

Q. Why is an 8% interest rate appropriate in today's low interest rate environment?

A. Unfortunately, a low interest rate was not available to the Company. As such, the 8% interest rate is appropriate because it is fixed over the 15 year term. It is a continuation of the existing interest rate on the existing Note (even though the Company missed 3 payments and did not accrue or pay interest on the missed payments). It is the interest rate that is reflected in the Company's rate of return that supports the current rates. It is what the owner was willing to loan the funds to the Company at.

Q. Has the Company determined the impact of the financing and the additions to plant on the Company's financial statements?

A. Yes. I have prepared proforma financial statements identified as SPS 1-1 – SPS 6.

Q. Would you please explain Schedule SPS 1-1, entitled Balance Sheet – Assets and Other Debits?

A. Yes. Generally, column (a) identifies the line number on the schedule. Column (b), identifies the PUC account number. Column (c) identifies the PUC account title. Column (d) reflects actual December 31, 2011 account balances. Column (e) identifies the adjustments to the December 31, 2011 account balances. Column (f) identifies the adjusted December 31, 2011 account balances and is the sum of columns (d) and (e).

Q. Please explain the adjustments related to refinancing of the existing Note and 3 missed payments and financing of the 2012 rejuvenation / vent project.

A. Schedule SPS 1-1 contains 5 adjustments.

The first adjustment to Utility Plant for $39,313 represents the addition to plant for the costs of the rejuvenation and the vents.

The second adjustment to Accumulated Depreciation for $3,931 represents the annual depreciation on the 2012 additions.

The third adjustment to Cash for $5,806 represents the net of the cash received from the owner's financing less payment for the new plant and payment of the first year principal and interest on the new loan.

The fourth adjustment to Special Deposits of ($14,000) represents the transfer of funds from the reserve to cash for utilization of such funds for the project.

The fifth adjustment to Miscellaneous Deferred Debits for ($3,260) is the net of the costs incurred in 2011 that are being transferred into service in 2012 and costs incurred in order to pursue PUC approval of the owner's financing and the amortization of such costs.

Q. Please explain Schedule SPS 1-2, entitled Balance Sheet – Equity Capital and Liabilities.

A. The description of the columns is the same as SPS 1-1.

Q. Please explain the adjustments related to the refinancing of the existing Note and 3 missed payments and financing of the 2012 rejuvenation / vents projects.

A. Schedule SPS 1-2 contains 3 adjustments.

The first adjustment to Retained Earnings for ($8,041) represents the net income impact of the various income statement transactions (i.e., depreciation and interest).

The second adjustment to Other Long Term Debt for $61,852 represents the net amount of the owner financing, the transfer of the 3 missed payments from miscellaneous current & accrued liabilities to long term debt and the first year repayment of the loan.

The third adjustment to Miscellaneous Current & Accrued Liabilities of ($29,883) is the transfer of the 3 missed payments to long term debt.

Q. Would you please explain Schedule SPS 2, entitled Statement of Income?

A. The description of the columns is the same as SPS 1-1.

Q. Please explain the adjustments related to the refinancing / financing.

A. There are 2 adjustments to the Statement of Income.

The first adjustment to Depreciation Expense of $3,931 represents the annual depreciation on the 2012 additions.

The second adjustment to Interest Expense of $4,110 represents the increase in the interest expense due to the extention of the term of the new note.

Overall, with the additional expenses, net income is reduced by $8,041.

Q. Would you please explain Schedule SPS-3, entitled Balance Sheet, Capital Structure?

A. The description of the columns is the same as SPS 1-1.

Q. Please explain the adjustments related to the refinancing / financing.

A. The actual Current Year End Balance is also reflected on the Balance Sheet (see SPS 1-2). The related capitalization ratios are shown on the bottom half of the schedule. The Company's debt to equity position is heavily weighted towards debt due to its negative retained earnings. The Company equity position has improved in recent years due to improved earnings. The addition of the owner's financing does not significantly alter the Company's debt to equity position.

Q. Please explain Schedule SPS-4, entitled Journal Entries.

A. Schedule SPS-4 identifies the specific journal entries used to develop the proforma financial statements. The significant journal entries are the recording of the borrowing from the owner (JE#2), the utilization of the owner's funds for the rejuvenation / vents project (JE#4) and the repayment of the principal and interest on the new loan (JE#7).

Q. Would you like to explain SPS-5?

A. SPS-5 is a schedule of the Source and Use of Funds for the 2012 rejuvenation / vents project.

Q. Would you like to explain SPS-6?

A. SPS-6 is a schedule of the Estimated Cost of Financing to pursue PUC approval of the owner's financing. Please note that the estimated costs assume a relatively straight forward approval process.

Q. What does the Company propose to do with the costs of the financing?

A. The cost to pursue and obtain PUC approval of the financing will be deferred. The financing costs will be amortized over the 15 year term of the owner's loan.

Q. Why should the Commission approve the financing?

A. The Commission should approve the financing because it is in the best interest of the Company and its customers. The 2012 rejuvenation of the leach field was required in order to continue to provide sewer service to customers. The installation of the vents will extend the life of the leach fields.

The refinancing of the existing Note and the 3 missed payments plus the new funds will be paid for with existing cash flow by extending the term to 15 years. The Company is not seeking a rate increase to pay for the project.

Q. Is there anything else that the Company would like to bring to the Commission's attention?

A. No.

Q. Please summarize the approval that the Company is requesting.

A. The Company respectfully requests that the PUC approve the refinancing of the existing Note and 3 missed payments and the financing of a portion of the rejuvenation / vents project. The total financing amounts to $170,000, under the terms and conditions stated previously.

Q. Does this conclude your testimony?

A. Yes.

SPSt. Cyr

11/30/12