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April 30, 2013

Via Electronic Mail and Hand-Delivery

Ms. Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, NH 03301-2429



**Re: DW 12-346; Petition for Financing
Recommendations of Bedford Three Corners Owners Association**

Dear Ms. Howland:

On behalf of Bedford Three Corners Owners Association (BTCOA), intervenor in the above-referenced docket, I hereby submit an original and six copies of its recommendations as provided in the revised procedural schedule issued by Secretarial Letter on March 20, 2013.

By way of background, this docket involves the proposed refinancing of Bedford Waste Service Corp. (“Bedford Waste” or “the Company”), a sewer company serving approximately 78 customers in the Three Corners subdivision located in Bedford, New Hampshire. By its petition and supporting testimony, the Company seeks authority to combine the following amounts into a single obligation in the amount of \$170,000 payable to the Company’s sole shareholder, Robert S. Lamontagne: (1) accounts payable of approximately \$28,000, the majority of which was owed to a company owned by Mr. Lamontagne; (2) approximately \$30,000 in three overdue semi-annual loan payments on an existing note issued to Mr. Lamontagne in 2000; and (3) the outstanding principal balance of approximately \$112,000 on that existing note to Mr. Lamontagne. The proposed new note provides for interest at the same rate as the existing note, 8%. The term of the proposed new note is 15 years.

BTCOA respectfully asserts that the proposed financing should be rejected because the Company has not met its burden of showing that it is in the public interest. Specifically, the 8% interest rate contained in the new note is not commercially reasonable. Evidence produced during discovery demonstrated that Centrix Bank was prepared to provide the proposed

financing at a rate of 4.75%, fixed for five years and adjustable thereafter. See BTCOA 1-32, Supplemental Response, attached hereto as Exhibit A. In addition to the fact that there is no indication that Mr. Lamontagne made any effort to obtain fixed rate financing at a rate that was higher than 4.75% but lower than 8%, even an adjustable rate financing may well have been beneficial given that it would have provided customers with a 325 basis point advantage for the five years when the loan balance was the highest. In other words, interest rates would have to rise above 11.25% for a period of more than the second five years of the loan in order for the Centrix loan to be disadvantageous. While the Company's response to Data Request BTCOA 1-32 suggests that Mr. Lamontagne did not proceed with the loan because it required a personal guarantee, that explanation makes little sense given that the loan now being proposed would put him fully at risk for non-payment. Instead, the loan as proposed allows Mr. Lamontagne to pay his affiliate and earn a near equity level of return in addition. In addition to an equity-type return on his investment, Mr. Lamontagne will also benefit substantially from the lower risk associated with the fact that his principal will be returned to him in regular payments over the term of the loan, along with the 8% interest provided for. As an affiliate transaction, the proposed refinancing warrants the Commission's particularly close scrutiny. Accordingly, BTCOA respectfully requests that the Commission reject the proposed financing and condition any approval on the Company's proposing a financing at an interest rate that is more comparable to the 4.75% that appears to be available in an arm's length transaction.

BTCOA has additional concerns regarding whether all of the costs proposed to be financed in the foregoing transaction are appropriate for recovery through rates. While BTCOA recognizes that the Commission's review of the prudence of specific costs incurred by a utility may more properly be considered within the context of a rate proceeding, it respectfully asserts that the Commission's consideration of this issue is also proper in this case because the costs at issue are included in the amount the Company is seeking approval to finance. In particular, BTCOA is concerned that certain fees charged by Stephen St. Cyr in the amount of \$8,790 that are being financed by the note and are for services billed to the Company in connection with the rejuvenation and vent installation project (see attachment to response to Data Request Staff 1-3) are not covered by the Company's management contract with Mr. St. Cyr. See attachment to response to Data Request BTCOA 2-1. In fact, there appears to be no contract between the Company and Mr. St. Cyr relating to these services, nor any documentation of any kind that sets forth the hourly rate, description of these additional services, other material terms, or otherwise demonstrates the reasonableness of the amounts incurred.

BTCOA's participation in prior dockets dating back more than a decade demonstrates that it is an active, knowledgeable and motivated owners' association that has consistently sought and continues to seek information about the waste water system that serves its members, including system engineering and design, system repair and maintenance and the Company's plans for the replacement of the system's aging fields. It continues to intervene in these proceedings in order to protect its members' critical interests in the system, i.e., both public health related and in protecting the value of their homes. BTCOA's members have been frustrated with the service they have received from Bedford Waste and the lack of communication from the Company regarding basic matters of concern, such as ongoing maintenance plans, members' responsibility to maintain equipment located on their premises and

anticipated capital improvements. The financing being proposed in this docket could have and should have been undertaken in a far more collaborative manner and in consultation with the BTCOA board.

In addition to requesting that the Commission condition approval of the loan at a lower interest rate if the financing is going to be provided by Mr. Lamontagne to repay his own company, BTCOA also respectfully requests that any order issued in this proceeding direct the Company, on an on-going basis, to:

1. Physically inspect the leach fields on an annual basis, perform any necessary routine maintenance as a result of the inspection and provide a detailed written report of such inspection to the BTCOA board and the Commission staff;
2. Provide a copy of all recorded plans of the system, including updates showing any repairs or changes to the system to the BTCOA board;
3. Provide a copy of all records relating to the sewer-related equipment located within the homes of the residents of Bedford Three Corners subdivision to each homeowner and the BTCOA board, so the board and its members will have the information necessary to maintain such equipment;
4. Provide, by way of bill inserts, a summary of maintenance activities for the previous billing cycle as well as maintenance activities anticipated to be performed in the upcoming billing cycle, including but not limited to pump replacements, tank pumping, and improvements to leach fields;
5. Provide a door tag or similar document to homeowners following the completion of any work performed on a homeowner's property describing the work performed;
6. Require that the Company or its contractor mark, at the time of the next scheduled pumping for each septic tank in the system, the location of the septic tank opening and that such markers be flush with the ground;
7. Consult with the BTCOA board prior to performing any maintenance, repairs or construction to the system reasonably expected to cost in excess of \$5,000;
8. Provide the BTCOA a list of the date of the last pump installation and the manufacturer and model of the pump for each of the 78 homes in the Bedford Three Corners subdivision, and provide the information specific for each home to the appropriate customer so that homeowners can estimate and properly plan for the costs of a replacement pump; and
9. Provide to each customer educational materials, such as a fact sheet, describing the sewer-related equipment located in and on each homeowner's premises, how to maintain the equipment properly and what steps to take in the event of an emergency.

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The issues and recommendations raised in this letter directly relate not only to the project for which the Company is seeking financing approval in this docket, but also to the continued financial and technical viability of the sewer system servicing its homes and the costs anticipated to be incurred by customers. The system faces critical infrastructure and financing issues in the coming years, and customers will in addition likely incur substantial associated costs for equipment located on their premises. BTCOA desires to ensure that it and its members are in the best position both to understand those issues and to be proactive in protecting their interest in the system that serves its community. On behalf of its members, the Board greatly appreciates the Commission's attention to this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Carol J. Holahan", followed by a horizontal line extending to the right.

Carol J. Holahan

cc: Service List (via electronic mail)