

**EASTMAN SEWER COMPANY, INC.**

**Petition for Financial Approval and Permanent and Temporary Proceeding**

**STIPULATION AGREEMENT ON TEMPORARY RATES**

**I. BACKGROUND**

On August 18, 2008, Eastman Sewer Company, Inc. (ESC) filed with the New Hampshire Public Utilities Commission (Commission) a Petition including financial schedules and supporting testimony for financing approval and for an increase in permanent rates for its 533 residential customers and two commercial customers in Grantham, New Hampshire. ESC's petition requests an increase in total revenues of \$56,386, with \$33,241 of that amount to be applied to its capital reserve fund to fund system improvements.<sup>1</sup> ESC's financing request involves borrowing \$238,850 from either a bank or the Eastman Community Association in order to finance system improvements. This loan would be for a 10 year term at an interest rate of 7%. This financing and rate request would, if approved, result in a total average annual bill for a residential customer of \$327.80 or an increase of 46.28%.

In addition, ESC also filed a request for temporary rates. ESC requests that the Commission approve an increase in ESC's sewer revenues by \$20,960 or approximately 18.74%. ESC states that its temporary rate request is based on its actual test year ending December 31, 2007, and it requests no change in the amount of capital reserve funds it collects from customers for temporary rate purposes. Because ESC proposes no increase to its capital reserve fund on a

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<sup>1</sup> ESC's capital reserve fund was established by the Commission in ESC's initial rate case DR 90-170. The Commission found that ESC was undercapitalized because the vast majority of the original sewer plant had been expensed for tax purposes, and thus the Commission ordered the establishment of the fund. The \$10,008 collected annually through customer rates is deposited to a separate account and is used exclusively for capital improvements. Eastman Sewer Company, 77 NH PUC 93 (1992).

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temporary basis, the overall bill impact to residential customers of ESC's temporary rate proposal is 17.20%.

On September 18, 2008, the Commission issued its Order No. 24,896 which suspended the taking effect of ESC's proposed tariff pages pursuant to RSA 378:6, pending investigation and decision thereon; scheduled a prehearing conference on October 29, 2008 to address procedural matters regarding ESC's requests; and ordered the company to publish notice of the hearing.

On October 6, 2008, ESC provided notice to all customers by causing a summary of the Commission's Order No. 24,896 to be provided to all its customers by first class mail.

On October 29, 2008, ESC amended its filing in this docket. Due to an increase in the estimated costs of the capital improvements, ESC now proposes to borrow \$344,534 on the same terms. As a result of this increased borrowing, ESC proposes to increase its rates to recover additional revenues in the amount of \$73,653 or an increase of 60.45% overall. ESC's amendments to its filing did not change its initial temporary rate request.

The prehearing conference was held as scheduled on October 29, 2008. ESC and Staff filed a proposed procedural schedule with the Commission on October 30, 2008, which was approved by secretarial letter dated November 5, 2008.

## **II. PARTIES AND SCOPE OF THE STIPULATION**

A. This Stipulation is entered into by ESC and the Staff of the New Hampshire Public Utilities Commission (Staff), representing all of the full participants in this Docket.

B. This Stipulation constitutes ESC's and Staff's recommendation to the Commission with respect to temporary rates in this docket.

C. Under this Stipulation, ESC and Staff agree to this joint submission to the Commission as resolution of the issues specified herein only.

D. This Stipulation shall not be deemed an admission by ESC or Staff that any allegation or contention in this proceeding by ESC or Staff, other than those specifically agreed to herein, is true and valid. This Stipulation shall not be deemed to foreclose any party from taking any position in any future proceedings or in the permanent rate phase of this proceeding.

E. ESC and Staff agree that all supporting documentation should be admitted as full exhibits for the purpose of consideration of this Stipulation, and be given whatever weight the Commission deems appropriate.

### **III. STIPULATED TERMS**

A. Temporary Customer Rate – Pursuant to RSA 378:27, ESC and Staff agree and recommend the Commission grant ESC an 18.74% increase in sewer revenues for purposes of establishing temporary rates. If approved, and with no change to the amount of capital reserve fund collected for temporary rates, the total effective increase in residential customer bills would be 17.20%. This level of temporary rate relief is the same as ESC requested in its temporary rate petition. ESC and Staff agree that this level of revenues for purposes of setting temporary rates is just and reasonable.

B. Effective Date – ESC and Staff agree and recommend the Commission approve an effective date for these temporary rates of October 6, 2008, on a service-rendered basis. This date is the date of direct notice of this proceeding to ESC's customers.

C. Reconciliation – ESC and Staff agree that temporary rates will be subject to reconciliation pursuant to RSA 378:29 after the final determination of rates in this docket.

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IV. MISCELLANEOUS

A. This Stipulation is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept the Stipulation in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Stipulation, and ESC or Staff is unable to agree with said changes, conditions or findings, the Stipulation shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

B. ESC and Staff agree that the Commission's acceptance of the Stipulation does not constitute continuing approval of, or precedent for, any particular issue in this proceeding or future proceedings, other than those specified herein.

C. This Stipulation may be executed in multiple counterparts, which together shall constitute one agreement.

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

EASTMAN SEWER COMPANY  
By its Manager

Date: December 11, 2008

By: Gorge a Burns (in behalf of Brian Harding)  
Brian Harding

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

Date: December 11, 2008

By: Marcia A.B. Thunberg  
Marcia A.B. Thunberg, Esq.

BRIAN HARDING  
EASTMAN SEWER COMPANY INC  
PO BOX 470  
GRANDTHAM NH 03753

STEPHEN P ST CYR  
STEPHEN P ST CYR & ASSOC  
17 SKY OAKS DR  
BIDDEFORD ME 04005

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JIM CUNNINGHAM  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

JAYSON LAFLAMME  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

JAMES LENIHAN  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

MARK NAYLOR  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

MARCIA THUNBERG  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

AMANDA NOONAN  
CONSUMER AFFAIRS DIRECTOR  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429