STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

BODWELL WASTE SERVICES CORPORATION

DW 17-

**PETITION FOR APPROVAL OF
REFINANCING OF EXISTING NOTE
AND FINANCING FOR PAST DUE AMOUNTS**

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 Bodwell Waste Services Corporation ("Company" or "Bodwell") 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 Merrimack County Savings Bank ("MCSB") to refinance the existing 2001 Promissory Note to Robert S. LaMontagne, the Company's owner, and past due amounts owed to the Company's owner on the 2001 Promissory Note, and to finance amounts owed to manager and operator and new financing costs.

Q. Please describe the existing 2001 Promissory Note and the 13 past due monthly payments.

A. The existing 2001 Promissory Note ("Note") was executed December 21, 2001. The Note obligated the Company to pay its owner, Robert S. LaMontange, $445,000.00 together with interest. Monthly payments commenced in January 2002 and continue until December 2026. Payments of principal and interest shall be made in equal monthly installments of $3,583.26. This Note shall bear interest at the rate of 8.5% per annum. At July 31, 2016 the outstanding balance on the Note was $289,006 (not including the 13 overdue payments).

During 2016 and 2017 the Company has been unable to make 13 monthly payments of $3,583.26, totaling $46,582.38 due primarily to inadequate cash flow. In 2017 the Company experienced an emergency main break and had to replace 80' of sewer mains on Bodwell Road and added a digital auto dialer to its Mill Pond pump station at a cost of $56,621. As the Commission and its Staff know, the rates are not designed to generate enough cash to fund plant replacement.

Q. What is the Company proposing to do with the 2001 Promissory Note and the 13 overdue payments?

A. The Company is proposing to combine the amount owed under the 2001 Promissory Note at July 31, 2016 and the 13 overdue payments along with other past due amounts to create one new loan.

Q. Before you discuss the new loan, please describe the other past due amounts and the new expenditures.

A. As of August 31, 2017 the Company owes an affiliated company, Summit Excavating, Inc. ("Summit") $40,197.09. Summit is owed $22,325.00 for its work on the emergency main replacement project on Bodwell Road in June 2017. It is also owed $8,811.37 for its work on removing debris and brush to access manholes as well as reimbursement for AAA Pump expenses associated with cleaning / jetting manhole and sewer mains in August / September 2015 and $9,060.72 on replacing flow meter, totalizer and transducer in May 2016. Also, the Company owes its manager, Stephen P. St. Cyr & Associates, $12,471.93 and its operator, AAA Pump, $63.818.26. In addition, the Company anticipates incurring approximately $4,250 in financing costs, primarily associated with gaining PUC approval of the refinancing / financing

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

A. The Company is proposing to borrow $450,000 from MCSB. The Company was pleasantly surprised that MCSB was willing to lend the Company $450,000 since back in 2013 the Company approached 4 banks and none were willing to lend funds to the Company. Of course, the Company could not borrow such funds on its own and needed its owner to be the "Unlimited Guarantors" personally.

Q. Please describe the terms and conditions of the new long term debt.

A. The term is 15 years. The interest rate is fixed for 5 years at 4.75%: then adjusting every 5 years based on the FHLB 5/15 amortizing advance rate plus 2.75%. Monthly payments of $3,500.24 are anticipated to begin in January 2018. The monthly payments represent savings of $83.02 per month, totalling annual savings of $996.24.

Q. Does the Company anticipate an increase in rates?

A. No. The Company has reviewed the potential of a rate case, but has determined that the lower debt rate offsets the increase in rate base.

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 loan and reducing the interest rate.

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 – SPS 7.

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 numbers. Column (c) identifies the PUC account title. Column (d) reflects actual December 31, 2016 account balances. Column (e) identifies the adjustments to the December 31, 2016 account balances. Column (f) identifies the adjusted December 31, 2016 account balances and is the sum of columns (d) and (e).

Q. Please explain the adjustments related to refinancing of the 2001 Promissory Note and the 13 past due payments and financing of the accrued liabilities and financing costs.

A. Schedule SPS 1-1 contains 4 adjustments.

The first adjustment to Utility Plant for $56,622 represents the addition to plant for the costs of the emergency sewer main replacement and the digital auto dialer.

The second adjustment to Accumulated Depreciation for $803 represents the first year depreciation on the 2017 additions.

The third adjustment to Cash for ($14,687) represents the net of the cash received from the MCSB's financing less payment for the 2001 Promissory Note, accrued liabilities, financing costs and the net of the loan payments. The Company expects the cash flow will improve with the lower debt service payments.

The fourth adjustment to Miscellaneous Deferred Debits for $3,491 is the net of the existing financing costs and the new financing costs incurred (or expected to be incurred) in 2017 in order to pursue PUC approval of the MCSB'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 refinancing of the 2001 Promissory Note and the 13 past due payments and financing of the accrued liabilities and financing costs.

A. Schedule SPS 1-2 contains 3 adjustments.

The adjustment to Retained Earnings for $2,905 represents the net income impact of the depreciation expense, interest expense and the amortization of financing costs. Please note that the Company is writing off the unamortized 2001 financing costs, which is negatively impacting net income (loss). The Company expects the net income (loss) will improve with the lower interest payments.

The second adjustment to Other Long Term Debt for $150,003 represents the net amount of the MCSB financing, the payment of the 2001 Promissory Note and the net of the principal portion of both the old and the new debt.

The third adjustment to Miscellaneous Current & Accrued Liabilities of ($108,285) is the past due amounts. The Company expects the miscellaneous current and accrued liabilities will be minimal once the financing takes place.

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 $803 represents the first year depreciation on the 2017 additions.

The second adjustment is the net impact of the interest expense and the amortization of financing costs. Please note that the Company is writing off the unamortized financing costs, which is negatively impacting net income (loss). The Company expects the net income (loss) will improve with the lower interest payments.

Q. Would you please explain Schedule SPS-3, entitled Plant, Depreciation and Accumulated Depreciation?

A. The schedule identifies the PUC accounts and account descriptions along with the costs, annual depreciation expense and accumulated depreciation. The Company is utilizing a 50 year life for the sewer main, resulting in annual depreciation of $1,104. The Company is utilizing a 10 year life for the digital auto dialer, resulting in annual depreciation of $592.

Q. Would you please explain Schedule SPS-4, 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 addition of the MCSB's financing has minimally impact on the Company's debt to equity position.

Q. Please explain Schedule SPS-5, entitled Journal Entries.

A. Schedule SPS-5 identifies the specific journal entries used to develop the proforma financial statements. The significant journal entries are the recording of the borrowing from MCSB (JE#3), the utilization of the MCSB funds for the refinancing of the 2001 Promissory Note and financing of the accrued liabilities (JE#4) and the payment of the principal and interest on the new loan (JE#7).

Q. Would you like to explain SPS-6?

A. SPS-6 is a schedule of the Source and Use of Funds for the 2017 refinancing / financing.

Q. Would you like to explain SPS-7?

A. SPS-7 is a schedule of the Estimated Cost of Financing to pursue PUC approval of the MCSB 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 Company's cash flow has been strained, recently due to an emergency sewer main break and the subsequent replacement of 80 feet of sewer mains and the addition of a digital auto dialer to improve the operation and reliability of the Mill Pond pump station. As a result, the Company has fallen behind in its payments to its owner, its manager and its service providers. The refinancing of the existing Note and the financing of the accrued liabilities relieves the current burden and lowers the current debt service payment. The lower debt service payments are due to a lower interest rate and by extending the term to 15 years. The Company is not seeking a rate increase. The refinancing / financing is necessary in order to continue to provide sewer service to customers.

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 2001 Promissory Note and the financing of the accrued liabilities. The total financing amounts to $450,000, under the terms and conditions stated previously.

Q. Does this conclude your testimony?

A. Yes.

SPSt. Cyr

09/14/17