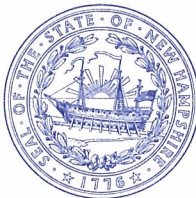


THE STATE OF NEW HAMPSHIRE

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January 3, 2012

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



Re: DW 08-160 Forest Edge Water Company

Dear Ms. Howland:

This letter is a follow-up to Staff's letter dated November 1, 2011, in this docket. Since the date of that letter, the Forest Edge homeowners have responded with a letter received November 14, 2011, and Forest Edge provided a response received December 20.

The homeowners indicated in their letter that additional information should be obtained from the company prior to a decision being made with respect to extending the time for the filing of a step adjustment. Noting that the company had undertaken capital improvements during 2011 that were not consistent with the recommendations of the system study completed after the rate case, the homeowners questioned what capital improvements would be undertaken with a one year extension<sup>1</sup>.

In its response to the homeowners, Forest Edge suggested that the work completed was responsive to outstanding deficiencies identified by the Department of Environmental Services (DES), and cost substantially less than the recommendations of the system study. Forest Edge indicated it "was able to repair both the upper pump house and middle pump house and correct the deficiencies." The company reiterated its request

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<sup>1</sup> On February 4, 2010 Forest Edge submitted a system study called for in the rate case settlement in this docket. That study recommended that the company abandon its "upper" pump station and combine its function with an upgraded "middle" pump station. The rate case settlement approved in this docket contained this provision: "The settling parties also agree that if the Company undertakes and completes any capital improvement(s) called for in the study by the end of 2011, it may request an additional step adjustment to its rates to reflect the cost of the capital improvements completed, including associated depreciation expense and property taxes."

January 3, 2012

for extension of the time to file a step adjustment, as well as for reconsideration of the adjustment of the O&M component of its rates.

Under these circumstances, Staff is withdrawing its support for extension of the time for the company to file a step adjustment. The company's September 23 request failed to disclose that Forest Edge had undertaken certain capital improvements during 2011 with respect to the two pump stations that were the focus of the system study. The company's letter indicated "(a)t this point, the Company has not made any of the improvements in accord with the plan because it was hoping to finance such improvements with internally generated cash. As such, the Company respectfully requests that the timeline to complete the improvements and implement the related step increase be extended to the end of 2012." A step adjustment was provided for in the settlement agreement for improvements resulting from the system study. That study recommended abandonment of the upper station. Now that the company has made improvements to that station, it is not reasonable to believe that it will be abandoned in accordance with the study. Thus, the preconditions for the step adjustment no longer exist. Staff recommends the Commission reject extending the time for the filing of a step adjustment.

If you have any questions regarding this matter, please do not hesitate to contact me.

Sincerely,



Mark A. Naylor  
Director, Gas & Water Division

cc: DW 08-160 Service List