

STEPHEN P. ST. CYR & ASSOC.

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December 19, 2011

Debra Howland
Executive Director and Secretary
Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, N. H. 03301-2429

Re: DW 08-160 Forest Edge Water Company

Dear Ms. Howland:



On September 23, 2011 Forest Edge Water Company ("FEWC" or "Company") submitted a letter to the Commission requesting authorization (1) to extend by one year the time in which it may seek a step increase for capital improvements and (2) to increase its revenue requirement by \$7,800 in order to pay for the expense of its management agreement with Atlantic Operating and Management Corp. ("AOMC").

On November 1, 2011 the PUC Staff ("Staff") offered the following recommendations. Staff supported FEWC's request to extend the time for the Company to file a step adjustment through the end of 2012. With respect to the request of the Company for an adjustment to its rates, Staff did not support this request. Staff indicates that "it is inappropriate for rates to be changed in this manner outside a rate proceeding or in a manner not previously authorized by the Commission, such as a step adjustment. Further, we have no information as to why the Company entered into a new agreement for services, whether AOMC is a related party, or whether the costs are reasonable."

In response to Staff's lack of support for the adjustment to rates, FEWC believes that its request for an increase in the revenue requirement is not outside the rate proceeding but rather a continuation of the proceeding. As part of the Settlement Agreement for Permanent Rates, the Company agreed "to file a proper affiliate agreement ..." (see page 5 of the Settlement Agreement, Section E). The PUC approved the Settlement Agreement including the provision to file a proper affiliate agreement in its Order No. 25,017 dated September 23, 2011.

On January 29, 2010 the Company filed with the Commission a letter and attachments in an effort to fulfill its requirements under the Settlement Agreement. Among the attachments (Attachment F) was the Management Agreement between FEWC and AOMC. The Management Agreement cites the terms, services, compensation, etc. See attached Management Agreement.

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In response to the questions raised by Staff, the Company entered into the Management Agreement because it agreed with Staff to do so. AOMC is a related party. The Company believes that the compensation is reasonable. As such, FEWC respectfully requests that Staff reconsider its position and support the Company's request for an increase in the revenue requirement.

Staff provided a copy of its recommendations to Mr. de Feyter, a homeowner. FEWC does not believe that Mr. de Feyter represents the homeowners as a whole, but rather represents himself and maybe a few other homeowners. On November 8, 2011 Mr. de Feyter provide the Commission with his comments on Staff's recommendation.

Mr. de Feyter agrees with Staff position not to allow a rate adjustment at this time to cover the costs of AOMC. As noted above, the Company disagrees with Staff's position on this matter.

Mr. de Feyter further indicates that the "homeowners think additional information should be collected before this request is granted." The Company had two outstanding deficiencies, both related to the pump houses. The Company worked with DES. It was able to repair both the upper pump house and middle pump house and correct the deficiencies. The repairs costs approximately \$3,000 and eliminated the need to expend approximately \$100,000 to expand the middle pump house and combine the functions of both the upper and middle pump houses into the middle pump house.

In summary, the Company respectfully requests an extension of time to complete the improvements and implement the related step increase and reconsideration of the O&M component of rates and approval of an additional \$7,800 of revenue requirement.

If you, the PUC Staff and / or the Commissioners have any questions or comments, please call me at 207-282-5222 or email me at stephenpstcyr@yahoo.com.

Sincerely,



Stephen P. St. Cyr

Cc: Nate Sullivan
Robert de Feyter