

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 08-086

EASTMAN SEWER COMPANY

**Petition for Financing and
Permanent and Temporary Rate Proceeding**

**Order Suspending Proposed Tariffs
and
Scheduling Prehearing Conference and Temporary Rate Hearing**

ORDER NO. 24,896

September 18, 2008

Eastman Sewer Company (Eastman) is a regulated public utility pursuant to RSA 362:2 and RSA 362:4, which provides sewer service to all 336 condominiums in the Eastman Community of Grantham. Eastman also serves an additional 197 residential customers and 2 commercial facilities, a total of 535 customers. In addition, 21 vacant lots remain as potential customers for the system, which was originally designed to accommodate all of these properties. The sewer system is operated and maintained through a contract with a licensed operator, Water System Operators (WSO) of Henniker.

On June 24, 2008, Eastman filed with the Commission a notice of intent to file a petition for financing and increased rate schedules. In addition, Eastman requested a waiver of N.H. Code of Admin. Rules Puc 1604.01, regarding certain rate case filing requirements. On August 18, 2008, Eastman filed schedules, proposed changes, and prefiled testimony in support of its proposed financing and rate increase.

Eastman seeks approval of financing in the amount of \$238,580.00; an increase in the annual capital reserve amount from \$10,008.00 to \$43,249.00; and an increase in annual sewer revenue from \$111,841.00 to 134,986.00, effective immediately.

In the event the Commission suspends Eastman's permanent rates pending further investigation, Eastman requests that temporary rates be granted. To that end, Eastman seeks a temporary increase in revenues in the amount of \$20,960.00. This request would increase the annual average residential bills by \$38.35 from \$204.62 to \$242.96, or 18.74 percent. Eastman notes that this temporary rate increase allows the company to earn a return of 10 percent on its investment and to cover its operating costs. Eastman notes that, for purposes of its temporary rate increase, it has not adjusted its rate base or rate of return and is not proposing any change to the capital reserve rate.

Eastman states that the proposed financing will allow it to make the following necessary capital improvements: (1) installation of a 3" submersible pump at West Cove B; (2) installation of a 4' diameter manhole with flume and ultrasonic flowmeter to monitor influent flow volume and a pH probe to monitor influent pH; (3) installation at its headworks of a muffin monster grinder in the existing channel; (4) installation of an overflow structure at West Cove A; and (5) pump and electrical system upgrades at the West Cove A pump station. Eastman seeks to finance these improvements through a promissory note from a bank or through the Eastman Community Association, which purchased Eastman Sewer Company in 2001. The financing will be for a 10 year term at an annual interest rate of 7.00 percent.

If the financing and permanent rate filing are accepted as filed, Eastman would realize an annual increase in capital reserve funds in the amount of \$33,241.00 and an increase of

permanent revenues of \$23,145.00. The permanent revenue increase of \$23,145.00 would allow Eastman to earn an 8.30 percent rate of return on its rate base of \$68,397.00, and to cover operating costs. The average annual bill for residential customers would increase from \$223.32 to \$327.80, an increase of 46.28 percent, and would result in quarterly bills of approximately \$82.00.

Eastman attributes the rate increase to a deficiency in operating income from the 2007 test year. Eastman notes that during the 12 months ending December 31, 2007, the company's net operating income amounted to (\$9,748.00). Its net operating requirement based on its actual, beginning, and ending average rate base times its actual rate of return of 10.00 percent equaled \$6,771.00. The net of the operating income requirement and the operating income creates a total operating income deficiency of \$16,520.00.

The filing raises, inter alia, issues related to: RSA 369 and whether the financing is consistent with the public good; RSA 378:7 and the just and reasonableness of rates, fares, and charges; RSA 378:27 and RSA 378:29 and the imposition of temporary rates and recoupment of the difference between temporary and permanent rates; RSA 378:28 and whether the calculation of rate base represents prudent investment in property that is used and useful; and the determination of a reasonable rate of return, including an appropriate capital structure.

Based on the foregoing, it is hereby

ORDERED, that Eastman Sewer Company's NHPUC NO. 1 SEWER, Fourth Revised Page 11 pertaining to residential service and Third Revised Page 12 pertaining to commercial service are hereby suspended in order to conduct a thorough investigation prior to rendering a final order in this proceeding; and it is

FURTHER ORDERED, that the request for waiver of certain provisions of NH Code of Admin Rules, Puc 1604.01 is hereby APPROVED; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.15, be held before the Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on October 29, 2008 at 10:00 a.m., at which each party will provide a preliminary statement of its position with regard to the petition and any of the issues set forth in N.H. Admin. Rule Puc 203.15 shall be considered; and it is

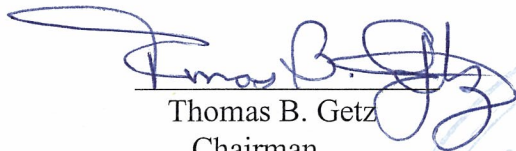
FURTHER ORDERED, that, immediately following the Prehearing Conference, Eastman Sewer Company, the Staff of the Commission, and any Intervenors hold a Technical Session to review the petition and allow Eastman to provide any amendments or updates to its filing; and it is

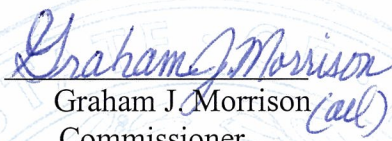
FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.12, Eastman shall notify all persons desiring to be heard at this hearing by mailing a copy of this order by first class mail to the town clerk of the Town of Grantham no later than September 30, 2008, and by mailing by first class mail a notice, drafted in consultation with the Commission's Consumer Affairs Division, to all customers no later than October 8, 2008; and it is

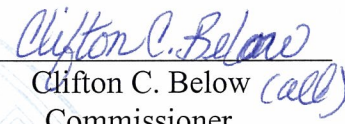
FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.17, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to Eastman and the Office of the Consumer Advocate on or before October 24, 2008, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interest may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.17 and RSA 541-A:32; and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before October 29, 2008.

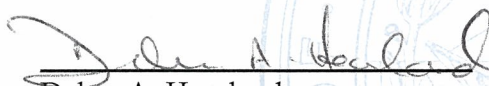
By order of the Public Utilities Commission of New Hampshire this eighteenth day of September, 2008.


Thomas B. Getz
Chairman


Graham J. Morrison
Commissioner


Clifton C. Below
Commissioner

Attested by:


Debra A. Howland
Executive Director and Secretary

Any individuals needing assistance or auxiliary communication aids due to sensory impairment or other disability, should contact the Americans with Disabilities Act Coordinator, NHPUC, 21 S. Fruit St., Suite 10, Concord, New Hampshire 03301-7319; 603-271-2431; TDD Access: Relay N.H. 1-800-735-2964. Preferably, notification of the need for assistance should be made one week before the scheduled event.

JOHN MUELLER
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

09/18/08 Order No. 24,896 issued and forwarded to all parties.
Copies given to PUC Staff.

Docket #: 08-086 Printed: September 18, 2008

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
DEBRA A HOWLAND
EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
CONCORD NH 03301-2429