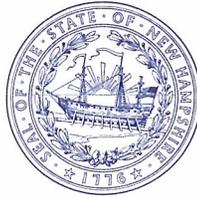


THE STATE OF NEW HAMPSHIRE

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November 1, 2011

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:

On September 23, 2011, Forest Edge Water Company (Forest Edge) submitted to the Commission a letter requesting Commission action with respect to two matters. First Forest Edge requests authorization to extend by one year the time in which it may seek a step adjustment for capital improvements. This step adjustment was approved by the Commission in its Order No. 25,017 dated September 23, 2009, which order approved a settlement agreement between Staff and Forest Edge. Under this settlement agreement, Forest Edge could seek one step adjustment for capital improvements, identified in a comprehensive review of the water system, completed by the end of 2011. Because Forest Edge is hopeful it will be able to finance these improvements through the use of internally generated cash, it has not yet undertaken any improvements. Thus the company requests that its authorization for this step adjustment be extended through the end of 2012.

Forest Edge's second request has to do with changes in its operation and maintenance (O&M) expenses since its 2008 rate case. The company indicates that the O&M component of its rates as established in the rate case was based on a 5 year average, but that average contained little if any cost relating to bookkeeping and operational management expense. In December of 2009, Forest Edge entered into an agreement with Atlantic Operating and Management Corp. (AOMC) for bookkeeping, billing, customer service, and oversight of the company's day-to-day operations. Forest Edge states that it is unable to pay AOMC because the O&M component of its rates is inadequate. It requests, therefore, Commission authorization to increase its revenue requirement by \$7,800 at this time, an annual rate impact on the company's 38 customers of \$205.26 or 44.3%.

November 1, 2011

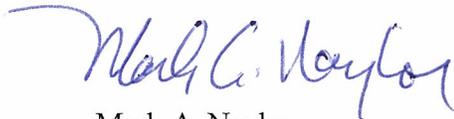
Staff has reviewed Forest Edge's requests and offers the following recommendations. Staff supports the company's request to extend the time for the company to file a step adjustment through the end of 2012. As identified in the settlement agreement filed in this docket, the water system owned by Forest Edge has issues related to the age and condition of its physical plant. It would be beneficial to both the company and its customers for Forest Edge to be able to implement capital improvements and seek recovery of those improvements in rates without the cost of initiating another full rate case. Staff therefore supports extension of the time to file a step adjustment. Such a step adjustment request should be fully reviewed and audited prior to any change in customer rates to reflect the capital improvements completed.

With respect to the request of the company for an adjustment to its rates at this time, Staff does not support this request. 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 light of this request, it may be more practical for the company to simply file a new rate case either at the end of 2012 or in 2013, where the Commission could consider not only any changes to the company's costs, but also any capital improvements the company may have made that would otherwise have been filed in the authorized step adjustment.

In this DW 08-160 docket, the Forest Edge homeowners participated as an intervenor. I have requested the company's representative to file a copy of its September 23, 2011 letter with the representative of the homeowners, but at this time Staff does not know whether this has been done. Staff will provide a copy of this letter to Mr. Robert deFeyter, the Forest Edge homeowners' representative in this proceeding, so that he can respond if he wishes.

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