

Stephen P. St. Cyr & Associates

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July 19, 2013

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

Re: West Swanzey Water Company Step Adjustment (DW 10-159 & DW 12-048)

Dear Ms. Howland:

In DW 10-159 the Public Utilities Commission issued Order No. 25,203 approving permanent rates for West Swanzey Water Company (“Company”). As reflected in section II. Terms of Agreement, C. Step Adjustment, “Staff and West Swanzey recommend that the Commission allow West Swanzey to file for a step increase to its rates for an estimated \$33,000 in capital improvements planned for well #2 ... The estimated future revenue impact is \$4,685 per year, which is an additional 6.99% over 2009 test year revenues.” In its analysis, the Commission found “it reasonable to permit West Swanzey to apply for a step adjustment for this project ... We will review the prudence of the costs and the reasonableness of any rate impact attributed to this proposed adjustment when West Swanzey makes its filing.”

In DW 12-048 the Public Utilities Commission issued Order No. 25,473 approving financing for the Company. The Company borrowed \$40,000 in long term debt from the State Revolving Fund (“SRF”) administered by the New Hampshire Department of Environmental Services (“DES”).

In 2013 Barrie Miller’s Well & Pump Service redeveloped the well and pump. The total cost of the project is \$40,356. Attachment A is a set of schedules supporting the additional revenue requirement of \$3,803 or 5.70%. Below is a brief explanation of schedules.

Schedule 1 shows the calculation of the revenue requirement. Net plant equals \$38,756. Net CIAC equals \$9,604. It assumes 25% (or \$10,000) loan forgiveness. Total additional rate base equal \$28,981. The Company applies a 3.472% rate of return to the additional rate base amount, resulting in a net operating income required of \$1,006. The net increase in operating expenses amount to \$2,797. When the net increase in operating expenses (\$2,797) is added to the net operating income required (\$1,006), the resultant revenue required is \$3,803. The revenue required of \$3,803 represents a 5.70% increase over 2012 total water sales.

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Schedule 2 shows Plant, Accumulated Depreciation and the Depreciation Expense. Total plant costs are \$40,356. Annual depreciation is \$1,600.

Schedule 3 shows CIAC, Accumulated Amortization of CIAC and Amortization of CIAC. Total CIAC is \$10,000. Annual amortization of CIAC is \$793.

Schedule 4 shows the Rate of Return. The interest rate on the SRF loan is 2.720%. The Company has incurred \$6,079 in financing costs. When the annual financing costs are added to the annual interest, the resultant rate of return is 3.472%.

Schedule 5 shows the anticipated increase in state and local property taxes.

Schedule 6 shows the allocation of costs to Well & Pump. Per the attached billing detail associated with the Barrie Miller invoice, \$11,643 and \$25,860 are for well and pump, respectively. The other costs were allocated to the well and pump proportionately.

Schedule 7 shows a summary of the costs. The supporting documentation is attached to the summary.

Schedule 8 shows the calculation of customer rates. The present rates are the rates that the Commission approved in DW 10-159. The Company and Staff agreed that the new revenues resulting from the step adjustment should be applied equally on a percentage basis to its rate classes.

The Company applied the overall percent increase of 5.70% to the present fixed charge to arrive at the proposed fixed rates. When the proposed rates are applied to the number of customer per meter size, the revenue from fixed charges is \$6,651.

The Company applied a slightly less percent increase of 5.05% to the present consumption charge to arrive at the proposed consumption rate of \$0.631. The Company then applies the proposed consumption rate to the 2012 actual consumption of 83,614 (per 100 gallons), resulting in revenue from consumption of \$52,789.

The Company applied the overall percent increase of 5.70% to the private fire protection to arrive at proposed fire protection rates. When the proposed rates are applied to the number of hydrants per service size, the revenue from fire protection is \$11,044.

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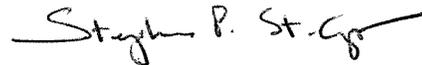
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The total proposed revenue amounts to \$70,485.

The Company respectfully requests that the Staff review the Company's proposal and make its recommendation to the Commission. The Company would appreciate it if the Staff would provide the Company with its recommendation before it is filed with the Commission. The Company would like the opportunity to join the Staff and make it a joint recommendation.

If you have any questions or comments, please call me at 207-423-0215 or email me at stephenpstcyr@yahoo.com.

Sincerely,

A handwritten signature in black ink that reads "Stephen P. St. Cyr". The signature is written in a cursive style with a long horizontal stroke at the end.

Stephen P. St. Cyr

Cc: Sally Brown