

Stephen P. St. Cyr & Associates

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NHPUC 6FEB14AM11:40

February 3, 2014

Debra A. Howland
Executive Director
Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, N. H. 03301

ORIGINAL	
N.H.P.U.C. Case No.	DW 13-305
Exhibit No.	#2
Witness	Robyn Descoteau
	Stephen P. St. Cyr
DO NOT REMOVE FROM FILE	

Re: DW 13-305 Lorden Commons Sewer Company, LLC

Dear Ms. Howland:

At the January 22, 2014 technical session Lorden Commons Sewer Company ("Lorden" or "Company") agreed to provide "more information concerning the Londonderry sewer charge, whether design costs will be included in the proposed revenue requirement, and whether the \$30,000 in long term debt noted in Mr. St. Cyr's testimony will be converted to equity. Please note the following:

Londonderry Sewer Charge

Londonderry will issue the Company a quarterly sewer bill of \$96.00 per residential unit. As such, when phase 1 is fully built out and the Company is providing sewer service to the 50 residential units, the annual Londonderry sewer charges will total \$19,200.00 (\$96.00 x 4 x 50).

Design Costs

The design costs of \$28,692.13 are related to the construction of the sewer system and will be allocated to the construction costs and contributed. The design costs will not be included in the proposed revenue requirement. The PUC franchise costs of \$5,123.33 are not related to the construction of the sewer system and will not be allocated to the construction costs and will not be contributed. The PUC franchise costs will be amortized over 20 years. The \$5,123.33 needs to be added to rate base and the annual amortization expense of \$256.17 (\$5,123.33 / 20) needs to be added to annual operating expenses.

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Long Term Debt / Equity

The early cash contribution were booked as debt, then later reclassified as equity. The early cash contributions were used to fund the design costs and the franchise costs. It is not likely that the Company would be able to service any debt. The rate of return needs to be adjusted to 9.60% (instead of the 7% related to the cost of debt).

Other Information

The first home sold October 18, 2013.

Each customer has a Warranty Deed, which indicates that "the subdivision is served by a private sewer company licensed by the NHPUC. Each lot owner shall pay a usage fee ... set by the NHPUC on a ... quarterly basis."

Each customer also has a Declaration of Covenants, Conditions and Restriction, which indicates that "the subdivision is served by a private sewer system in compliance with the rules and regulation of the NHPUC, NHDES and the Town of Londonderry. Each lot owner shall connect to the sewer system and shall pay the usage fee directly to the private sewer utility. The private utility shall pay the Town of Londonderry a quarterly usage charge and shall maintain and operate the private sewer system. Any improvement and maintenance repairs to the private sewer system must be submitted for review and approval by the Londonderry Department of Public Works and Engineering, other than normal and customary maintenance."

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

Sincerely,



Stephen P. St. Cyr

Cc: Service List