

**STATE OF NEW HAMPSHIRE  
BEFORE THE  
PUBLIC UTILITIES COMMISSION**

**DW 13-305**

**Lorden Commons Sewer Company, LLC**

**Permanent Rate Proceeding**

**SETTLEMENT AGREEMENT**

**I. INTRODUCTION**

This Settlement Agreement (Agreement) is entered into this 16th day of April, 2014, between and among Lorden Commons Sewer Company, LLC (Lorden), Mr. James Tullis, and the Staff (Staff) of the New Hampshire Public Utilities Commission (Commission) (collectively, the Settling Parties), with the intent of resolving certain issues, more fully described below, in the above-captioned proceeding.

**II. TERMS OF AGREEMENT**

The Settling Parties agree as follows:

**A. Revenue Requirement, Rate Base, Rate of Return, Capital Structure**

Because Lorden Commons is a new utility and is just beginning to provide sewer service,, the Settling Parties agree to an overall revenue requirement of \$31,984 based on certain known expenses and estimated expenses. The estimated expenses are based on an analysis of the expenses of two other similar sewer utilities. No other income is expected from Other Operating Revenues. See Settlement Attachment RJD-1, Schedule 3. While the large majority of the system plant is considered to be Contribution in Aid of Construction (CIAC), the revenue requirement provides for a return on a rate base of \$10,999, which the Settling Parties agree is prudent, used, and useful. See Attachment RJD-1, Schedule 2. The Settling Parties agree to an overall rate of return of 9.60%,

which, when applied to the agreed upon rate base results in an operating income requirement of \$1,056. *Id.* The overall rate of return is based on a cost of equity of 9.60%, and a capital structure of 0% debt and 100% equity.

The Settling Parties agree that the foregoing revenue requirement represents a reasonable compromise of all issues relating to the revenue requirement pending before the Commission for purposes of permanent rates, including allowed overall rate of return, return on equity, capital structure, pro forma adjustments, capital additions to rate base, and operating expenses.

The Settling Parties agree that the revenue requirement recommended to the Commission in this Agreement results in permanent rates for Lordon Commons' customers that are just and reasonable.

**B. Customer Rate Impact, Rate Design**

Lordon Commons serves only residential customers. It does not provide service for commercial or industrial purposes. Because the sewer system is not yet fully built out and Phase 1 is estimated to serve 50 customers, the Settling Parties have used 50 customers as the basis of calculating customer rates. Dividing the revenue requirement of \$31,984 among 50 customers results in an annual rate of \$639.68, or \$159.92 per quarter. See Attachment RJD-1, Schedule 4. Lordon Commons does not offer metered sewer service. Thus, the rate is offered as a flat rate and does not include a volumetric component.

**C. Effective Date**

The Settling Parties propose permanent rates to be effective for all service rendered on or after the date customers were notified of this proceeding, January 7, 2014.

**D. Tariff**

The Settling Parties will present a full tariff with proposed terms of service at the hearing scheduled for April 23, 2014.

**E. Rate Case Expenses and Surcharge**

Lordon Commons agrees to file with the Commission, no later than fifteen days from the date of a final order in this proceeding, its request for and documentation of its rate case expenses. Lordon Commons also agrees to file a proposed surcharge for collection of the rate case expenses.

**V. CONDITIONS**

This Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Agreement, and any of the Settling Parties is unable to agree with the changes, conditions or findings, this Agreement shall be deemed to be withdrawn and shall not constitute any part of the record in this proceeding and shall not be used for any other purpose.

Under this Agreement, the Settling Parties agree to this joint submission to the Commission, which represents a compromise and liquidation of all issues in this proceeding.

The Settling Parties agree that the Commission's acceptance of this Agreement does not constitute continuing approval of, or precedent for, any particular issue in this proceeding. Acceptance of this Agreement by the Commission shall not be deemed to constrain the Commission's exercise of its authority to promulgate future orders, regulations or rules that resolve similar matters affecting other parties in a different fashion.

The resolution of any specific issue in this Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings.

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Settlement Agreement

The rights conferred and the obligations imposed on the Settling Parties by this Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Agreement be approved by the Commission in its entirety and without modification. The Settling Parties agree that the proposed Agreement is lawful and consistent with the public good, and therefore recommend its approval.

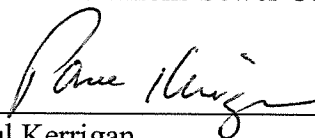
This Agreement may be executed in multiple counterparts, which together shall constitute one Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in their respective names by their authorized agents.

Lordon Commons Sewer Company

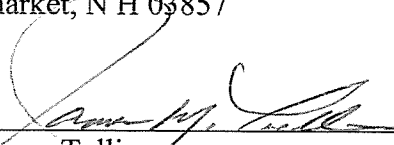
Dated: 4/16, 2014

By:



Paul Kerrigan  
Chinburg Builders, Inc.  
3 Penstock Way  
Newmarket, NH 03857

Dated: 04/16 2014



Mr. James Tullis  
15 Iron Horse Drive, Unit: D-215  
Bedford, NH 03110

Dated: April 16, 2014

Staff, New Hampshire Public Utilities Commission

By:



Marcia A. Brown, Esq.  
Staff Attorney  
21 South Fruit Street  
Concord, NH 03301

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LORDEN COMMONS SEWER COMPANY, LLC  
REVENUE REQUIREMENT

		Pro-forma Test Year 12/31/12
Pro-forma Rate Base (Schedule 2)	\$	10,999
Rate of Return (Schedule 1A)	x	9.60%
Operating Income Required		<u>1,056</u>
Pro-forma Net Operating Income (Schedule 3)	-	1,056
Revenue Deficiency		<u>-</u>
Tax Effect *	+	-
Revenue Deficiency/(Surplus)		<u>-</u>
Pro-forma Annual Revenue (Schedule 3)	+	31,984
Revenue Requirement	\$	<u>31,984</u>

\* As a new utility, this is Lorden Commons first rate case. Therefore, prior actual information does not exist. Estimates are based on phase one build-out, which is not expected for several years. A net loss is expected until full or near-full build-out; no taxes are expected.

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LORDEN COMMONS SEWER COMPANY, LLC  
OVERALL RATE OF RETURN**

Item	Component Ratio	Component Cost Rate	Weighted Average Cost Rate
Common Stock	100.00%	9.6	9.60%
Preferred Stock	0	0.0	0.00%
Long Term Debt	0	0.0	0.00%
Short Tem Debt	0	0.0	0.00%
Total	100.00%		9.60%

Item	2012 Actual Amount	Actual Component Ratio	2012 Proforma Amount	Proforma Component Ratio
Common Equity				
Common Stock	\$ 100		\$ 100	
Add'l Paid In Capital	-		30,000	
Retained Earnings	(73)		(73)	
SubTotal	27	0.1%	30,027	100%
Preferred Stock Equity				
Preferred Stock	-	0.000	-	0.0
Long Term Debt	30,000	99.9%	-	-
Short Term Debt	-	0.000	-	0.0
Total Capital	<u>\$ 30,027</u>	100%	<u>\$ 30,027</u>	100%



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LORDEN COMMONS SEWER COMPANY, LLC  
RATE BASE

	Pro-formed Test Year Average per Original Filing	Ref.	Company's Response to Staff 2-5	
			Adjustment due to Company's Response to Staff 2-5	Pro-formed Test Year As a Result of Company's Response to Staff 2-5
Plant in Service	\$ 589,661	(a.)	\$ 26,762	\$ 616,423
Less: Accumulated Depreciaton	9,657	(b.)	482	10,139
Net Utility Plant	580,004		26,280	606,284
Plus: Cash Working Capital (Schedule 2A)	2,058	(c.)	3,946	6,004
Less: CIAC	(580,004)	(d.)	(21,285)	(601,289)
Rate Base	\$ 2,058		\$ 8,941	\$ 10,999
Net Operating Income Applicable to Rate Base (Schedule 1)	\$ 144		\$ 912	\$ 1,056
Rate of Return (Schedule 1A)	7.00%			9.60%

Company Adjustment Explanations:

- (a.) Add Design Costs Allocation
- (b.) Adjust Depreciation for Design Costs Allocation
- (c.) Adjust Working Capital for \$19,200 Londonderry Sewer Fee ( $\$19,200 \times 20.55\% = \$3,946$ )
- (d.) Deduct CIAC associated with Design Costs Allocation

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**LORDEN COMMONS SEWER COMPANY, LLC**  
**WORKING CAPITAL COMPUTATION**

Total Proformed Operating Expenses (Schedule 3)	\$	29,217
Total Cash Flow	\$	29,217
Cashing Working Capital Percentage	x	20.55%
Working Capital Needed	\$	6,004



**DW 13-305**  
**LORDEN COMMONS SEWER COMPANY, LLC**  
**INCOME STATEMENT**

	Original Filing			Company's Response to Staff 2-5	
	12 Months Ending 12/31/12	Proforma Adjustments Per Co. Filing	Test Year As Proformed	Ref	Test Year Adjustments As a Result of Per Company's Response to Staff 2-5
Operating Revenues	\$ -	\$ 11,616	\$ 11,616		\$ 20,368
Operating Expenses					
Operating & Maintenance Expense	73	9,944	10,017	(a.)	19,200
Depreciation Expense	-	19,314	19,314	(b.)	965
Amortization of CIAC	-	(19,314)	(19,314)	(c.)	(709)
Amort Expense - Other	-	-	-		-
Taxes Other Than Income	-	1,450	1,450		-
Income Taxes	-	5	5		5
Total Operating Expenses	73	11,399	11,472		19,456
Net Operating Income (Loss)	\$ (73)	\$ 217	\$ 144		\$ 912

Company Adjustment Explanations:

(a.) Londonderry Sewer Charges, \$19,200 (96.00/cust x 4 quarters x 50 customers)

(b.) Adjust Depreciation Expense for Design Costs Allocation

(c.) Adjust Amortization Expense for Design Costs Allocation

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LORDEN COMMONS SEWER COMPANY, LLC  
REPORT OF PROPOSED RATE CHANGES

Rate or Class of Service	Effect of Proposed Change	Average Number of Customers	Current Rates	Proposed Rates	Proposed Change	
					Amount	% Increase
Residential	Increase	50	\$ -	\$ 31,984 *	\$ 31,984	100.00%
Miscellaneous		-	-	-	-	0.00%
Totals		<u>50</u>	<u>\$ -</u>	<u>\$ 31,984</u>	<u>\$ 31,984</u>	<u>100.00%</u>

Average Yearly Rate per Customer: \$ 639.68

Average Quarterly Rate per Customer: \$ 159.92

\* See Schedule 1