

LAKES REGION WATER COMPANY INC.

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NHPUC 7MAR17PM12:09

March 1, 2017.

Debra A. Howland, Executer Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DW 15-209 Lakes Region Water Company, Inc.
Rate Case Expense and Temp/Perm Rate Reconciliation Surcharges

Dear Ms. Howland:

On December 28, 2016 Lakes Region water Company, Inc. ("LRWC" or "Company") submitted its proposal for recovery of rate case expenses and temporary/permanent rate revenue recoupment. LRWC requested recovery of a combined \$174,035 consisting of \$135,460 and a temporary/permanent rate reconciliation recovery of \$38,575. In order to recover this amount, LRWC further proposed a quarterly surcharge for its 1,690 ratepayers of \$12.87 over 8 billing quarters.

On February 24, 2017 Ms. Descoteau of the PUC Staff filed Staff's recommendation regarding the Company's proposal. With regard to LRWC's request to recover \$38,575 as the revenue differential between temporary and permanent rates, Staff's analysis supports the Company's calculation. With regard to LRWC's request to recover \$135,460 in rate case expenses, Staff's recommends that a total of \$45,460 should be deducted from this amount in order to arrive at a recovery amount of \$90,000. Staff bases this recommendation partly upon the fact that a substantial portion of LRWC's rate request and, thereby, a substantial portion of the rate proceeding was devoted to the Company's erroneous application of AFUDC to its proposed Mt. Roberts property acquisition. A second reason that Staff feels that a significant reduction in LRWC's proposed rate case expenses are justified is related to the Company's continued extensive use of outside consultants. The Company agrees with Staff's support for the Company's request for the revenue differential between temporary / permanent difference. The Company disagrees with Staff's recommendation for rate case expenses.

Staff's determination of a \$45,000 deduction is arbitrary and capricious. As indicated in the letter, and as is consistent with Staff's practices, Staff thoroughly reviewed copies of invoices. Yet, Staff either was unable or unwilling to identify specific charges related to either AFUDC or extensive use of outside services that would support such a deduction.

With respect to AFUDC, the Company would disagree that a substantial portion of the rate request and, thereby, a substantial portion of the rate proceeding was devoted to the Company's erroneous application of AFUDC to its

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proposed Mt. Roberts property acquisition. The addition of Mt. Roberts (including AFUDC) investment was a component of one of the "2015 Specific Additions to Plant and related Depreciation." See Schedule 9 of the original filing. It was not even identified as a separate rate base proforma adjustment. It was a component of one of the 17 proforma adjustments to rate base. See Schedule 3A of the original filing. The proposed financing of the Mt Roberts investment (including AFUDC) was one line item on the Notes Payable, Interest Expense & Capitalized Interest – Proforma schedule." See Schedule 4B of the original filing. Mr. Mason addressed the Mt. Roberts Project in his testimony on pages 10 – 14 of the original filing. Also, Mason Exhibits 6 & 7 shows the calculation of "AFUDC". While it did add to the cost of the Mt. Roberts investment, it was not a substantial portion of the rate proceeding.

Further, the use of AFUDC is expressly allowed by the Uniform System of Accounts for Water Utilities. While Staff's testimony disagreed with the Company's proposed use of AFUDC, neither the Settlement Agreement nor the Commission's order approving the Settlement Agreement made any findings that the Company's proposal was erroneous.


With respect to extensive use of outside consultants, the Company disagrees. The Company provided much of the support for the initial and subsequent filings, much of the support for responses to numerous data requests and much of the support throughout the proceeding. It is likely that it is always going to have to rely on outside consultants to some extent. The Company's outside service for accounting has consistently decreased since the hiring of a utility manager as follows:

2016	Outside Services Employed (Accounting)	\$24,396
2015	Outside Services Employed (Accounting)	\$41,327
2014	Outside Services Employed (Accounting)	\$43,206
2013	Outside Services Employed (Accounting)	\$60,672
2012	Outside Services Employed (Accounting)	\$71,030

With respect the comparison to other rate case expense amounts in other recent cases and LRWC's last rate case, Staff knows that any comparison with other companies is irrelevant since the issues that one company faces versus another company may or may not be the same. Staff's also knows that issues from one case to the next case are not the same. In fact, in DW 10-141, the Company originally proposed the inclusion of Mt. Roberts at that time and later withdrew its request for recovery. Yet, it was not penalized by a deduction in rate case expenditures.

In conclusion, LRWC reiterates its requests for recovery of a combined \$174,035 consisting of \$135, 460 and a temporary/permanent rate reconciliation recovery of \$38,575. In order to recover this amount, LRWC further proposed a quarterly surcharge for its 1,690 ratepayers of \$12.87 over 8 billing quarters.

If you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Leah Valladares
Utility Manager

Cc: Service List