

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 09-128

LAKELAND MANAGEMENT COMPANY, INC.

Petition for Approval of Financing

Order *Nisi* Approving Financing

ORDER NO. 25,003

August 12, 2009

I. BACKGROUND

On July 13, 2009, Lakeland Management Company, Inc. (Lakeland) filed a petition seeking authority to borrow \$95,000 in long term debt pursuant to RSA 369:1. In support of its petition, Lakeland filed the testimony of Wade R. Crawshaw, company president, and Stephen P. St. Cyr, a financial consultant. Lakeland proposes to borrow funds made available through the American Recovery and Reinvestment Act of 2009, which will be disbursed through the existing State Revolving Loan Fund (SRF) administered by the Department of Environmental Services (DES). Lakeland intends to use the funds to install two concrete water storage tanks totaling 30,000 gallons. The tanks would supplement an existing 20,000-gallon tank at the same location. The project would also include installation of variable frequency drives (VFD's) for two existing booster pumps. The improvements will help the system keep pace with growing system demands, including a recently added 32-unit apartment complex. Additional benefits of the VFD's are expected to include increased operational flexibility, electric savings, and potential chemical cost savings, the latter resulting from the ability to blend waters of differing water chemistries. The new tanks are estimated to cost \$85,000 and the VFDs \$10,000, for a

total project cost of \$95,000. The system serves 155 customers, one of which is the 32 unit apartment complex.

The loan that Lakeland seeks is expected to have terms and conditions similar to those of prior SRF loans. Lakeland's \$95,000 loan is expected to be repaid over a 10 year term, with an interest rate of 2.34%. Significantly, 50% of the loan principal will be forgiven and will not accrue interest. As with prior SRF loans, DES would make disbursements of funds based on invoices submitted by contractors engaged by Lakeland. Approximately six months after project completion, monthly payments of principal and interest, at annual rate of 2.34%, will begin, with 50% of the principal forgiven. Although the initial loan amount is \$95,000, forgiveness of 50% of the principal amount will leave Lakeland with only \$47,500 to repay.

Commission Staff, by letter of August 6, 2009, recommended that the request for financing be approved. Staff concurred with the Company's proposed uses of funds and the improvements planned for Lakeland's water system. Staff also noted that the petition requested approval for an associated step increase in rates to be implemented at the conclusion of the project, which is anticipated by the end of the year. Nonetheless, Staff expressed its preference that any increase occur instead in the context of a full rate case, especially given discussion of that issue in another recent docket.¹ The Company's filing indicates it intends to file a full rate case in the near future and it has, in fact, filed a notice of intent to file rate schedules, which the Commission has docketed as DW 09-131.

II. COMMISSION ANALYSIS

Pursuant to RSA 369:1, public utilities engaged in business in New Hampshire may issue evidence of indebtedness payable more than 12 months after the date thereof only if the

¹ See Order No. 24,925 (December 30, 2008) in DW 08-070.

Commission finds the proposed issuance to be “consistent with the public good.” Analysis of the public good consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205 (1984).

Lakeland has requested to borrow \$95,000 to finance capital improvements in its community water system. The loan funds originate through the recently passed American Recovery and Reinvestment Act of 2009 and are being disbursed through the existing SRF structure on extremely favorable terms. As repayment commences, half of the loan principal will be forgiven and will not accrue interest.

We have reviewed Lakeland’s intended use of the funds and find that Lakeland has demonstrated that the project will enable it to provide better service to its customers. The additional storage is needed to keep pace with increasing demands and will provide additional system reliability. The new pumps will provide similar benefits, as well as increased operational flexibility and anticipated savings in electrical and chemical costs. Accordingly, we find that the proposed uses of the financing are in the public good.

Given the important nature of the capital projects to be undertaken with the requested funds and the favorable terms of financing, we conclude that the financing is consistent with the public good and approve the amount and purpose of the financing. Although Lakeland’s petition did not specifically request it, our recent experience with petitions for SRF loans is that a security interest in the borrower’s assets may be required. In this light, we provide our approval, pursuant to RSA 369:2, for Lakeland to provide a security interest in its real and personal property if needed to secure the loan. Additionally, our approval of this financing is based on the

fact that the impact on ratepayers will be minimized due to the low interest rate and the 50% principal forgiveness of the loan. We will not at this time, however, approve any associated increase in rates. Once the projects are complete, the Company is free to request an increase in the form it deems appropriate.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that subject to the effective date below, authority to undertake the financings proposed by Lakeland, upon the terms and conditions proposed in its petition and as discussed above, is hereby **APPROVED**; and it is

FURTHER ORDERED, that the Petitioner shall cause a copy of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than August 24, 2009 and to be documented by affidavit filed with this office on or before September 11, 2009; and it is

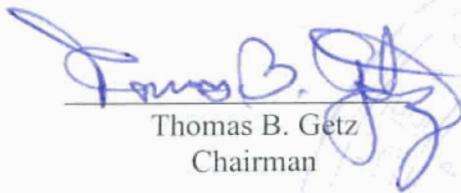
FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than August 31, 2009 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than September 7, 2009; and it is

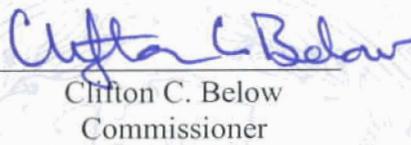
FURTHER ORDERED, that this Order *Nisi* shall be effective September 11, 2009, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that Lakeland shall file true copies of the loan documents executed or otherwise finally issued in connection with the closing of the transactions contemplated hereby.

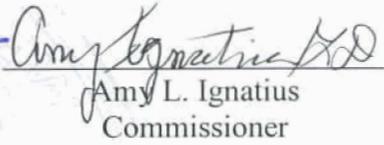
By order of the Public Utilities Commission of New Hampshire this twelfth day of August, 2009.



Thomas B. Getz
Chairman

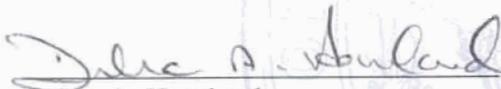


Clifton C. Below
Commissioner



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director & Secretary

