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NH-PUC 23DEC14-2:07

December 23, 2014

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, New Hampshire 03301

Re: DW 14-285 Lakes Region Water Company
Petition for Approval of Financing
Joint Supplemental Recommendation for Financing Approval and Automatic Penalty

Dear Ms. Howland:

Subsequent to the filing of Staff's recommendation letter dated November 20, 2014 in this docket, Lakes Region Water Company, Inc. (Lakes Region) and Staff held discussions about the substance of Staff's recommendation. Based on these discussions, Staff would like to provide further information and assented-to recommendations to the Commission for its consideration. Lakes Region will file its concurrence in a separate letter.

First, with respect to the financing for capital improvements at the company's Indian Mound system, the \$129,775 the company seeks authority to borrow is not the total amount to be spent on this project. Lakes Region expects to expend around \$200,000 for this project, with the balance of the funds coming from existing cash on hand.

With respect to its vehicle purchases and associated financing, Lakes Region intends to add a vehicle replacement schedule to its annual capital improvements plan. At this time the Company intends to replace vehicles on a rotating, five-year basis. By planning ahead for routine vehicle replacement, the Company will be aided in timely filing for financing authority pursuant to RSA 369. In the event that a vehicle needs to be replaced on an emergency basis, Lakes Region will rent a temporary replacement pending Commission review and approval of financing.

Finally, regarding the Staff's recommendation of a suspended penalty for Lakes Region's failure to seek prior approval for long-term debt for vehicle financing, Lakes Region requested that no suspended penalty be imposed because it derived no financial benefit and it

mistakenly believed that vendor financing for vehicles without Commission pre-approval was a common industry practice. As a result, Staff and Lakes Region propose an alternative in lieu of the proposed suspended penalty:

- First, Lakes Region agrees that it violated RSA 369 and that all future vehicle financing shall be pre-approved by the Commission as required by RSA 369.
- Second, Staff and Lakes Region agree and recommend, for a period of five years from the date of the Commission's order approving Lakes Region's petition in this proceeding, that any future long-term financing for vehicles or equipment without approval from the Commission shall result in an automatic penalty of \$1,000, to be paid by the Company within 30 days of a request by Staff to the Commission to impose such a penalty. The demand for the penalty would be payable even if the Company requests a hearing on Staff's request or otherwise challenges the Staff's demand for payment or the Commission's enforcement of this automatic penalty.
- Additionally, the automatic penalty would not preclude any other enforcement action by Staff and the Commission authorized by law. For example, Staff could recommend and the Commission could determine that additional penalties are appropriate with regard to the unauthorized financing that triggered the automatic penalty.

In conclusion, the Staff, with Lakes Region's assent, supports the alternative proposal for a future, automatic penalty along with Lakes Region's admission of a violation and commitment to better planning for vehicle replacements. This is an acceptable alternative resolution of Lakes Region's violation of RSA 369 as well as an incentive for Lakes Region to avoid future violations of RSA 369. We therefore support and recommend that the Commission approve it instead of the suspended penalty recommended in Staff's initial recommendation.

Thank you for your assistance in this matter. Please advise if there are any questions.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Cc: Docket-Related Service List

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

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21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**