

BEFORE THE  
STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

DOCKET NO. DW 15-209  
LAKES REGION WATER CO., INC.

SETTLEMENT AGREEMENT – TEMPORARY RATES

I. INTRODUCTION

This Settlement Agreement (“Agreement”) is entered into this 6th day of January, 2016, by and among Lakes Region Water Co., Inc. (“Lakes Region” or “Company”), the staff (“Staff”) of the New Hampshire Public Utilities Commission (“the Commission”), and the Office of the Consumer Advocate (“OCA”), collectively (“Settling Parties”), with the intent of resolving the issues discussed herein. This Settlement Agreement constitutes the recommendation of the Settling Parties with respect to the Commission’s determination of temporary rates.

II. PROCEDURAL BACKGROUND

On August 5, 2015, Lakes Region submitted a permanent rate filing including proposed tariff pages and schedules requesting a permanent increase in its annual water revenues from general metered and unmetered customers by \$398,274, or 38.18%. Lakes Region’s Report of Proposed Rate Changes accompanying its permanent rate petition shows a proposed net increase in its gross operating revenues of \$386,745, or 29.39%, from \$1,316,010 earned during 2014 to \$1,702,755 in proposed new operating revenues. The net increase consists of the proposed increase in revenues from general metered and unmetered customers of \$398,274, an anticipated increase in revenues from the special contract with the Property Owners Association at Suissevale, Inc. (“POASI”) of \$65,754, and an anticipated decrease in rate case surcharge revenues related to DW 10-141 of \$77,283.

On August 17, 2015, the Company filed a Petition for Temporary Rates (Petition) seeking a temporary increase in its annual water revenues from general metered and unmetered customers of \$221,487. According to Lakes Region's petition and schedules, the Company earned an actual rate of return of 3.64% during the 2014 test year, which is significantly below its last-authorized rate of return of 8.19%. The Company estimates that its proposed temporary revenue increase will result in an average annual increase to general metered and unmetered customers of \$132.95, or \$33.24 per quarter.

On December 2, 2015, Staff filed testimony and schedules recommending a temporary revenue requirement for the Company's general water customers of \$1,122,608; an increase of \$79,465, or 7.62%, over the Company's test year water revenues from general customers of \$1,043,143. Staff's recommended revenue requirement was calculated using a total rate base of \$2,568,890 and an overall rate of return of 8.01%.

On December 16, 2015, the Settling Parties met and negotiated the terms of the Settlement Agreement. The hearing on temporary rates is scheduled for January 14, 2016.

### III. TERMS OF AGREEMENT

The Settling Parties recommend that the Commission authorize the Company, in accordance with RSA 378:27, to implement temporary rates according to the following terms:

**Revenue Requirement** - The Settling Parties agree to the schedules set forth in Settlement Attachment JPL-1 which provides for a temporary revenue requirement for the Company's general customers of \$1,146,837. This represents an increase of \$103,694 above the test year water revenues earned from general customers of \$1,043,143, or a 9.94% temporary rate increase. (See Schedule 1 of Settlement Attachment JPL-1)

**Effective Date** - The temporary rates shall be effective on a service-rendered basis as of September 14, 2015 (the date specified for publication of the Order of Notice in this proceeding by Commission Order No. 25,809 (September 4, 2015)). The temporary rates are to be collected through the date of the Commission's order on permanent rates.

**Rates** - The Settling Parties agree that customer rates for the period of temporary rates in this proceeding shall reflect those contained in Schedule 5 of Settlement Attachment JPL-1, as follows:

<u>Customer Class</u>	<u>Annual</u>	<u>Quarterly</u>
WVG Pool	\$1,597.17	\$399.29
Unmetered General Customers	\$ 687.83	\$171.96
Metered General Customers:		
Customer Charge	\$ 541.02	\$135.26
Meter Charge (per ccf)	\$ 5.26	\$ 5.26

For the Company's average metered customers who use approximately 27.89 hundred cubic feet (ccf) of water per year, the above rates represent an annual increase of \$59.25, or \$14.81 per quarter.

The Company shall file tariff pages implementing the terms of this Agreement following its approval by the Commission. The tariff pages are due within 15 days of the date of a Commission order approving the Settlement Agreement.

**Reconciliation** - Any difference between the approved temporary rates and the new permanent rates shall be subject to reconciliation to the effective date of September 14, 2015, on a service-rendered basis, following the Commission's approval of the new permanent rates in this proceeding, as provided by RSA 378:29.

#### IV. CONDITIONS

This Settlement Agreement is expressly conditioned upon the Commission's approval of all its provisions, without change or condition. If such approval is not granted, the Settlement Agreement shall be deemed to be null and void and without effect, and shall not be admissible as evidence or used against any party. The Commission's acceptance of this Settlement Agreement does not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that the temporary revenue requirement and temporary rates recommended by the Settlement Agreement are just and reasonable.

The discussions that produced this Settlement Agreement have been conducted on the understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used for any purpose.

IN WITNESS WHEREOF, the Settling Parties have caused this Settlement Agreement to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

LAKES REGION WATER CO., INC.

By its Attorneys

UPTON & HATFIELD, LLP

Dated: January 6, 2016

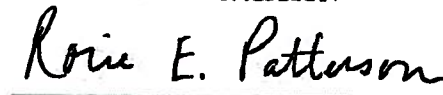
By:

  
Justin C. Richardson

STAFF OF THE NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Dated: January 6, 2016


By:

  
Rorie E. Patterson  
Staff Attorney

STAFF OF THE OFFICE OF  
CONSUMER ADVOCATE

Dated: January 6, 2016

By:

  
Susan W. Chamberlain  
Consumer Advocate

**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
REVENUE REQUIREMENT**

Rate Base (Schedule 2; Column 6)	\$ 2,573,135
Rate of Return (Schedule 1a; Column 12)	x <u>8.01%</u>
Operating Income Requirement (See Schedule 3; Column 8)	206,181
Less: Proforma Test Year Operating Income (Schedule 3; Column 6)	<u>(277,316)</u>
Revenue Deficiency / (Surplus) Before Taxes (See Schedule 3; Column 7)	(71,135)
Tax Factor (Schedule 1b)	+ <u>60.39%</u>
Revenue Deficiency / (Surplus) (See Schedule 3; Column 7)	(117,793)
Add: Annual Water Revenues from General Customers Proposed by Company (Schedule 3; Column 3)	<u>1,264,630</u>
Annual Water Revenues from General Customers Proposed by Staff (See Schedule 3; Column 8)	1,146,837
Less: Test Year Water Revenues from General Customers (Schedule 3; Column 1)	<u>(1,043,143)</u>
Proposed Increase in Annual Water Revenues from General Customers	<u>\$ 103,694</u>
Percent Increase in Annual Water Revenues from General Customers	<u>9.94%</u>

DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
WEIGHTED AVERAGE COST OF CAPITAL

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Balance	Co Pro-forma	Staff Pro-forma	Adjusted	Percent	Annual	Annual	Co Pro-forma	Staff Pro-forma	Total Annual	Cost	Weighted
	12/31/14	Adjustments	Adjustments	Balance		Interest	Debt Expense	Adjustments	Adjustments	Cost of Debt	Rate	Average
Long-term Debt:												
Total Long-term Debt (Schedule 1a)	\$ 919,878	\$ (31,000)	\$ -	\$ 888,878	33.33%	\$ 38,913	\$ 1,837	\$ 120	\$ 2,123	\$ 42,993	4.84%	1.81%
Common Equity:												
Common Stock	10,000	-	-	10,000	0.38%							
Additional Paid-in Capital	1,227,180	-	(62,954) (a)	1,164,226	43.88%							
Capital Stock Expense	(7,360)	-	-	(7,360)	-0.28%							
Retained Earnings	610,827	-	-	610,827	22.91%							
Total Common Equity	1,840,647	-	(62,954)	1,777,693	66.67%						9.60%	6.40%
Total Capitalization	\$ 2,760,325	\$ (31,000)	\$ (62,954)	\$ 2,666,371	100.00%							8.01%

(a) To reduce additional paid-in capital by \$55,820 for AFUDC recorded on Mt Roberts equipment (Staff Adj # 2; Sch 2a) and decrease Mt. Roberts well costs by \$7,134 per Staff Audit Issue # 12 (Staff Adj # 3; Sch 2a).

DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
CALCULATION OF COST OF DEBT

Description	Date of Issue	Date of Maturity	Interest Rate	(1) Balance 12/31/14	(2) Co's Pro-forma Adj's	(3) Pro-forma Balance Per Co	(4) Staff Pro-forma Adj's	(5) Pro-forma Balance Per Staff	(6) Interest Expense	(7) Debt Expense	(8) Total Debt Cost	(9) Co's Pro-forma Adj's	(10) Pro-forma Balance Per Co	(11) Staff Pro-forma Adj's	(12) Pro-forma Balance Per Staff	(13) Total Cost Rate
<b>Operating Loans:</b>																
TD Bank - 5 (refinance)	01/13/04	01/13/14	8.08%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,481	\$ 227	\$ 6,718	\$ (6,718)	\$ -	\$ -	\$ -	0.00%
TD Bank - 8 (construction)	01/13/04	01/13/14	7.47%	-	-	-	-	-	4,781	502	5,283	(5,283)	-	-	-	0.00%
TD Bank - 7 (system purchase)	12/28/04	12/28/14	8.28%	-	-	-	-	-	2,252	908	3,160	(3,160)	-	-	-	0.00%
CoBank (5 Year)	08/24/14	08/30/19	3.45%	288,483	-	288,483	-	288,483	5,571	-	5,571	4,382	9,853	1,499 (b)	11,452	3.97%
CoBank (15 Year - refinance)	08/24/14	08/30/29	5.25%	481,341	-	481,341	-	481,341	13,007	200	13,207	11,413	24,620	824 (b)	25,244	5.47%
CoBank (line of credit)	08/24/14	08/30/15	2.17%	31,000	(31,000)	-	-	-	325	-	325	(325)	-	-	-	0.00%
CoBank (Indian Mound project)	-	-	5.50%	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
CoBank (Mt Roberts purchase)	-	-	5.50%	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
<b>Total Operating Loans</b>				<b>780,824</b>	<b>(31,000)</b>	<b>749,824</b>	<b>-</b>	<b>749,824</b>	<b>32,407</b>	<b>1,837</b>	<b>34,244</b>	<b>329</b>	<b>34,573</b>	<b>2,123</b>	<b>36,696</b>	<b>4.88%</b>
<b>Equipment Loans:</b>																
GEHL Finance (Mustang Excavator)	11/13/09	11/13/14	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	0.00%
Ford Motor Credit - 2011 Ford F350XL	08/13/10	08/13/15	7.88%	5,430	-	5,430	-	5,430	740	-	740	(419)	321	-	321	5.91%
Ford Motor Credit - 2011 Ford F150XL	07/21/11	07/21/16	7.89%	11,707	-	11,707	-	11,707	1,239	-	1,239	(315)	924	-	924	7.89%
Ford Motor Credit - 2013 Ford F250 Super	08/18/13	08/15/18	5.95%	28,120	-	28,120	-	28,120	1,983	-	1,983	(280)	1,673	-	1,673	5.95%
Ford Motor Credit - 2013 Ford F250 Super	08/28/13	08/28/18	5.85%	20,210	-	20,210	-	20,210	1,442	-	1,442	(240)	1,202	-	1,202	5.85%
Ford Motor Credit - 2014 Ford F150	08/08/14	08/08/19	6.24%	29,947	-	29,947	-	29,947	778	-	778	1,081	1,869	-	1,869	6.24%
Cat Financial - 2014 Excavator	03/27/14	04/05/19	0.71%	43,440	-	43,440	-	43,440	344	-	344	(36)	308	-	308	0.71%
<b>Total Equipment Loans</b>				<b>138,854</b>	<b>-</b>	<b>138,854</b>	<b>-</b>	<b>138,854</b>	<b>6,506</b>	<b>-</b>	<b>6,506</b>	<b>(209)</b>	<b>6,297</b>	<b>-</b>	<b>6,297</b>	<b>4.63%</b>
<b>Total Long-Term Debt</b>				<b>\$ 919,678</b>	<b>\$ (31,000)</b>	<b>\$ 888,678</b>	<b>\$ -</b>	<b>\$ 888,678</b>	<b>\$ 38,913</b>	<b>\$ 1,837</b>	<b>\$ 40,750</b>	<b>\$ 120</b>	<b>\$ 40,870</b>	<b>\$ 2,123</b>	<b>\$ 42,993</b>	<b>4.84%</b>

(b) To reflect amortization of CoBank financing costs in cost of debt (See Staff Adj # 22; Sch 3a):

	Legal Costs	Loan Term	Ann'l Amort
CoBank financing legal costs reclassified from general legal expenses:	\$ 16,860		
Portion attributable to CoBank (5 Year) (\$400,000 / \$900,000)	\$ 7,493	5	= \$ 1,499
Portion attributable to CoBank (15 Year - refinance) (\$500,000 / \$900,000)	9,367	15	= 624
<b>Total</b>	<b>\$ 16,860</b>		<b>\$ 2,123</b>



**DW 15-209**  
**LAKES REGION WATER COMPANY, INC.**  
**TEMPORARY RATES**  
**EFFECTIVE TAX FACTOR**

Taxable Income	100.00%
Less: NH Business Profits Tax	<u>8.50%</u>
Federal Taxable Income	91.50%
Federal Income Tax Rate	<u>34.00%</u>
Effective Federal Income Tax Rate	31.11%
Add: NH Business Profits Tax	<u>8.50%</u>
Effective Tax Rate	<u>39.61%</u>
Percent of Income Available if No Tax	100.00%
Effective Tax Rate	<u>39.61%</u>
Percent Used as a Divisor in Determining the Revenue Requirement	<u>60.39%</u>
Tax Multiplier	<u>0.65590</u>

DW 15-208  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
RATE BASE

	(1) Test Year Average Per Company Filing	(2) Company Adjustments	(3) Per Company Filing	(4) Staff Proforma Adjustments (Sch 2a)	(5) Staff Adjustment # (Sch 2a)	(6) Proforma Rate Base
<b>Plant In Rate Base</b>						
Utility Plant In Service	\$ 4,797,651	\$ 237,058	\$ 5,034,709	\$ (278,277)	1 - 4	\$ 4,756,432
Less: Accumulated Depreciation	(1,515,498)	(84,789)	(1,600,287)	77,007	5 - 9	(1,523,290)
Net Plant In Service	3,282,153	152,259	3,434,412	(201,270)		3,233,142
Less: Acquisition Adjustment	(254,025)	-	(254,025)	-		(254,025)
Add: Accumulated Amortization of Acquisition Adjustment	187,828	4,228	172,058	(4,228)	10	187,828
Net Acquisition Adjustment	(86,197)	4,228	(81,969)	(4,228)		(86,197)
Less: Contributions In Aid of Construction (CIAC)	(862,501)	(8,377)	(870,878)	8,377	11	(862,501)
Add: Accumulated Amortization of CIAC	240,635	8,886	249,521	(8,777)	12 - 13	240,744
Net Contributions In Aid of Construction (CIAC)	(621,866)	509	(621,357)	(400)		(621,757)
Net Plant In Rate Base	2,574,080	156,896	2,731,086	(205,898)		2,525,188
<b>Working Capital</b>						
Cash Working Capital	178,047	(5,424)	170,823	(15,052)	14	155,571
Materials and Supplies	14,397	(8,680)	4,717	8,680	15	14,397
Prepaid Other	33,751	3,494	37,245	(3,494)	16	33,751
Prepaid Property Taxes	11,779	(52)	11,727	52	17	11,779
Deferred Debits	-	-	-	5,184	18	5,184
Customer Deposits	-	-	-	-		-
Deferred Taxes	(172,734)	(17,338)	(190,070)	17,338	19	(172,734)
Total Working Capital	63,240	(28,998)	34,242	13,705		47,947
<b>Total Rate Base</b>	<b>\$ 2,637,320</b>	<b>\$ 127,898</b>	<b>\$ 2,765,218</b>	<b>\$ (192,193)</b>		<b>\$ 2,573,138</b>

DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO RATE BASE PER STAFF

Adj#

**Proforma Adjustments to Plant in Service:**

Utility Plant in Service

1	To reverse Co's rate base adj # 1 to reflect overall Plant in Service at test year average.								\$ (237,058)
2	To remove test year average of AFUDC on Mt Roberts equipment from plant in service (See Staff Adj #'s 7, 36, 40, 41): AFUDC on Mt Roberts equipment recorded on 04/01/14 Portion of 13-month average reflected in test year rate base (9 mos + 13 mos)								
								\$ (55,820)	
						x	69.23%	(38,645)	
3	To adjust costs of certain 2014 fixed asset additions at Paradise Shores per Staff Audit Issue # 12 (See Staff Adj #'s 8, 28, 37, 42): Structures: Wells: Mains: Total adjustments Portion of 13-month average to be reflected in test year rate base (9 mos + 13 mos)								
								\$ 9,834	
								(7,134)	
								(2,389)	
								311	
						x	69.23%	215	
4	To reduce cost of Paradise Shore pumps per Staff Audit Issue # 18 (See Staff Adj #'s 9, 29, 38, 43): Pumps: Portion of 13-month average reflected in test year rate base (9 mos + 13 mos)								
								\$ (4,030)	
						x	69.23%	(2,790)	
Total Adjustments - Utility Plant in Service									\$ (278,277)

Accumulated Depreciation

5	To reverse Co's rate base adj # 4 to reflect overall accumulated depreciation at test year average.								\$ 66,520
6	To modify Co's rate base adj # 5 in order to reflect a test year average: Co's rate base adj # 5 to reflect an additional half-year of depreciation for 2014 additions To adjust to test year average								
								\$ 18,279	
						+	2	9,140	
7	To remove test year average of accumulated depreciation related to AFUDC on Mt Roberts equipment (See Staff Adj #'s 2, 36, 40, 41):								
		AFUDC	Depr %	=	Acc Depr	Avg (9 + 13)	=		
	Wells:	\$44,231	x 2.50%	=	\$ 1,106	x 0.6923	=	\$ 766	
	Pumps:	2,817	x 10.00%	=	282	x 0.6923	=	195	
	Mains:	8,772	x 2.00%	=	175	x 0.6923	=	121	1,082
		<u>\$55,820</u>			<u>\$ 1,563</u>				
8	To adjust accumulated depreciation of certain 2014 fixed asset adjustments at Paradise Shores (Staff Audit Issue # 12) (See Staff Adj #'s 3, 28, 37, 42):								
		Cost	Depr %	=	Acc Depr	Avg (9 + 13)	=		
	Structures:	\$ 9,834	x 2.50%	=	\$ (246)	x 0.6923	=	\$ (170)	
	Wells:	(7,134)	x 2.50%	=	178	x 0.6923	=	123	
	Mains:	(2,389)	x 2.00%	=	48	x 0.6923	=	33	(14)
		<u>\$ 311</u>			<u>\$ (20)</u>				

**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO RATE BASE PER STAFF**

**Adj#**

**Prepaid Other**

<b>16</b>	To reverse Co's rate base adj # 10 to reflect prepaid other at test year average.	<u>\$ (3,494)</u>
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	Total Adjustments - Prepaid Other	<u>\$ (3,494)</u>
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**Prepaid Property Taxes**

<b>17</b>	To reverse Co's rate base adj # 11 to reflect prepaid property taxes at test year average.	<u>\$ 52</u>
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	Total Adjustments - Prepaid Property Taxes	<u>\$ 52</u>
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**Deferred Debits**

<b>18</b>	To record 'No Lead Rule' deferred debit (Staff Audit Issue # 25):		
	Total 'No Lead Rule' expense recorded during the test year (Per Staff Adj # 31)		\$ 12,959
	Test year amortization expense (Per Staff Adj # 39)		<u>(2,592)</u>
	Net deferred debit		\$ 10,367
	To adjust to test year average	+	<u>2 5,184</u>

	Total Adjustments - Deferred Debits	<u>\$ 5,184</u>
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**Deferred Taxes**

<b>19</b>	To reverse Co's rate base adj # 12 to reflect deferred taxes at test year average.	<u>\$ 17,336</u>
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	Total Adjustments - Deferred Taxes	<u>\$ 17,336</u>
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	<b>NET RATE BASE ADJUSTMENTS PER STAFF</b>	<u><u>\$ (192,193)</u></u>
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**DW 15-209**  
**LAKES REGION WATER COMPANY, INC.**  
**TEMPORARY RATES**  
**PRO-FORMA ADJUSTMENTS TO RATE BASE PER STAFF**

**Adj#**

- 9 To adjust accumulated depreciation relative to Paradise Shores pump cost adjustment (Staff Audit Issue # 18)  
(See Staff Adj #'s 4, 29, 38, 43):

Pumps:	$\frac{\text{Cost}}{\$ (4,030)}$	x	$\frac{\text{Depr \%}}{10.00\%}$	=	$\frac{\text{Acc Depr}}{\$ 403}$	x	$\frac{\text{Avg (9 + 13)}}{0.6923}$	=	<u>279</u>
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Total Adjustments - Accumulated Depreciation

\$ 77,007

**Accumulated Amortization of Acquisition Adjustment**

- 10 To reverse Co's rate base adj # 8 to reflect accumulated amortization of acquisition adjustment at test year average.

\$ (4,228)

Total Adjustments - Accumulated Amortization of Acquisition Adjustment

\$ (4,228)

**Contributions in Aid of Construction (CIAC)**

- 11 To reverse Co's rate base adj # 13 to reflect CIAC at test year average.

\$ 8,377

Total Adjustments - Contributions in Aid of Construction (CIAC)

\$ 8,377

**Accumulated Amortization of CIAC**

- 12 To reverse Co's rate base adj # 14 to reflect accumulated amortization of CIAC at test year average.

\$ (8,668)

- 13 To modify Co's rate base adj # 15 in order to reflect a test year average:

Co's rate base adj # 15 to reflect an additional half-year of CIAC amortization for 2014 additions	\$	(218)	
To adjust to test year average	+	2	(109)

Total Adjustments - Accumulated Amortization of CIAC

\$ (8,777)

**Proforma Adjustments to Working Capital:**

**Cash Working Capital**

- 14 To adjust cash working capital component of rate base:

Staff O & M expense adj's from Sch 3; Col 4:	\$	(83,928)	
Portion of O & M expenses attributable to customers paying in arrears (1,586 / 1,667):	93.34%	(78,340)	
Portion of O & M expenses attributable to customers paying in advance (101 / 1,667):	-6.06%	5,085	
Net O & M expenses subject to cash working capital %		(73,254)	
Cash Working Capital % (75 days / 365 days)		20.55%	\$ (15,052)

Total Adjustments - Cash Working Capital

\$ (15,052)

**Materials and Supplies**

- 15 To reverse Co's rate base adj # 9 to reflect materials and supplies at test year average.

\$ 9,680

Total Adjustments - Materials and Supplies

\$ 9,680

DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
OPERATING INCOME STATEMENT

	(1) Per Actual Test Year	(2) Company Adjustments	(3) Per Company Filing	(4) Staff Pro-forma Adjustments (Sch 3a)	(5) Staff Adjustment # (Sch 3a)	(6) Pro-forma Test Year	(7) Revenue Deficiency / (Surplus) (Sch 1)	(8) Net Operating Income Requirement
Operating Revenues								
Sales of Water to General Customers	\$ 1,043,143	\$ 221,487	\$ 1,284,630	\$ -		\$ 1,284,630	\$ (117,793)	\$ 1,146,837
Sales of Water - Special Contract	138,528	85,754	202,280	-		202,280		202,280
Other Operating Revenues	138,341	(77,283)	59,058	200	20	59,258		59,258
Total Operating Revenues	1,316,010	209,958	1,525,988	200		1,526,168	(117,793)	1,408,375
Operating Expenses								
Operation & Maintenance Expenses	974,896	(30,034)	944,862	(83,928)	21 - 35	860,934		860,934
Depreciation Expense	184,383	18,279	182,662	(1,848)	36 - 38	180,716		180,716
Amortization of CIAC	(17,129)	(218)	(17,347)	-		(17,347)		(17,347)
Amortization of Acquisition Adjustment	(5,708)	-	(5,708)	-		(5,708)		(5,708)
Amortization Expense - Other	-	-	-	2,592	39	2,592		2,592
Other Tax Expense	74,833	8,796	83,629	(1,145)	40 - 45	82,484		82,484
Total Operating Expenses	1,191,275	(3,177)	1,188,098	(84,427)		1,103,671	-	1,103,671
Gain (Loss) from Disposition of Utility Property	30,795	(30,795)	-	-		-		-
Net Operating Income (Loss) before Income Taxes	155,530	182,340	337,870	84,827		422,487	(117,793)	304,704
Income Taxes	28,807	88,621	117,428	27,753	Sch 3b	145,181	(48,658)	98,523
Net Operating Income (Loss)	\$ 126,723	\$ 93,719	\$ 220,442	\$ 56,874		\$ 277,316	\$ (71,135)	\$ 206,181

**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO OPERATING INCOME PER STAFF**

**Adj #**

**Proforma Adjustments to Operating Revenues:**

**Other Operating Revenues**

20	To record unbilled test year service revenues from LRW Water Services per Staff Audit Issue # 31.	\$	<u>200</u>
	Total Adjustments - Other Operating Revenues	\$	<u>200</u>

**Proforma Adjustments to Operating Expenses:**

**Operation & Maintenance Expenses**

21	To reverse Co's O & M expense adj # 7 to reflect actual test year general legal expenses.	\$	13,317
22	To remove financing costs and rate case costs from test year general legal expenses based on Co's response to Tech 1-8a: CoBank financing legal costs Mt Roberts legal costs	\$ (16,860) (2,403)	(19,263)
23	To reverse Co's O & M expense adj # 9 per Commission Order # 25,454 (01/17/13).		(9,980)
24	To record anticipated decrease in annual health and business insurance premiums per Co's response to Staff DR 1-40.		(28,000)
S24	To partially reverse Staff Adj # 24 for purposes of settlement on temporary rates.		12,000
25	To reduce test year computer support expense by amount paid to Logics per Co's response to Tech 1-1(b).		(1,776)
26	To record anticipated annual savings in computer support expense under the Logics license per Co's response to Tech 1-1(e).		(2,666)
S26	To reverse Staff Adj # 26 for purposes of settlement on temporary rates.		2,666
27	To reduce test year regulatory commission expense by amount of write-offs of prior commission cases based on Co's response to Tech 1-8(g) and Pg 47 of Staff Audit Report.		(16,943)
28	To reduce test year O & M expenses by structure costs that should have been capitalized per Staff Audit Issue # 17 (See Staff Adj #'s 3, 8, 37, 42).		(15,000)
29	To increase test year materials expense per Co's comment relative to Staff Audit Issue # 18 (See Staff Adj #'s 4, 9, 38, 43).		4,030
30	To reduce test year O & M expenses relative to unsupported 2014 bad debt write-offs per Staff Audit Issue # 23.		(9,000)
S30	To reverse Staff Adj # 30 for purposes of settlement on temporary rates.		9,000
31	To reduce 'No Lead Rule' test year expense in order to reflect a 5-year amortization per Staff Audit Issue # 25 (See Staff Adj #'s 18, 39).		(12,959)

**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO OPERATING INCOME PER STAFF**

**Adj #**

32 To reduce O & M expenses by non-recurring expenses incurred during the test year per Staff Audit Issue # 25: Office Renovation Loan Prepayment Fee	\$ (1,546) (3,908)	(5,454)
33 To reduce O & M exp's by accounting / software charges that should have been deferred per Staff Audit Issue # 26.		(2,145)
34 To reduce O & M expenses by 2013 medical reimbursement paid during the test year per Staff Audit Issue # 27		(285)
35 To reduce O & M expenses by 2015 wages included in test year expense per Staff Audit Issue # 33 (See Staff Adj # 45).		(1,470)
Total Adjustments - Operation & Maintenance Expenses	\$ (83,928)	

**Depreciation Expense**

- 36 To reduce test year operating expenses by amount of depreciation related to AFUDC on Mt Roberts equipment  
(See Staff Adj #'s 2, 7, 40, 41):

	AFUDC		Depr %		Depr Exp	
Wells:	#####	x	2.50%	=	\$ (1,106)	
Pumps:	(2,817)	x	10.00%	=	(282)	
Mains:	(8,772)	x	2.00%	=	(175)	\$ (1,563)
	#####					

- 37 To adjust depreciation expense of certain 2014 fixed asset additions at Paradise Shores (Staff Audit Issue # 12)  
(See Staff Adj #'s 3, 8, 28, 42):

	Cost		Depr %		Depr Exp	
Structures:	\$ 9,834	x	2.50%	=	\$ 246	
Wells:	(7,134)	x	2.50%	=	(178)	
Mains:	(2,389)	x	2.00%	=	(48)	20
	\$ 311					

- 38 To adjust depreciation expense relative to pump cost adjustment at Paradise Shores (Staff Audit Issue # 18)  
(See Staff Adj #'s 4, 9, 29, 43):

	Cost		Depr %		
Pumps:	\$ (4,030)	x	10.00%	=	(403)

Total Adjustments - Depreciation Expense \$ (1,948)

**Amortization Expense - Other**

- 39 To record 5-year amortization of 'No Lead Rule' expense per Staff Audit Issue # 25 (\$12,959 ÷ 5 years)  
(See Staff Adj #'s 18, 31):

2,592

Total Adjustments - Amortization Expense - Other \$ 2,592



DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PRO-FORMA ADJUSTMENTS TO OPERATING INCOME PER STAFF

Adj #

Other Tax Expense

40 To reduce Co's operating expense adj # 14 to reflect elimination of AFUDC on Mt Roberts equipment (See Staff Adj #'s 2, 7, 36, 41):	AFUDC on Mt Roberts equipment State utility property tax mill rate	\$ (55,820) x 0.00660 \$ (368)
41 To reduce Co's operating expense adj # 16 to reflect elimination of AFUDC on Mt Roberts equipment (See Staff Adj #'s 2, 7, 36, 40):	AFUDC on Mt Roberts equipment Municipal property tax mill rate	\$ (55,820) x 0.00633 (353)
42 To adjust property taxes for Paradise Shores 2014 fixed asset adjustment (Staff Audit Issue # 12) (See Staff Adj #'s 3, 8, 28, 37):	Adjustment to Paradise Shores 2014 fixed asset adjustments Combined state and municipal mill tax rate (\$0.00660 + \$0.00633)	\$ 311 x 0.01293 4
43 To adjust property taxes for Paradise Shores pump cost adjustment (Staff Audit Issue # 18) (See Staff Adj #'s 4, 9, 29, 38):	Adjustment to Paradise Shores pump cost Combined state and municipal mill tax rate (\$0.00660 + \$0.00633)	\$ (4,030) x 0.01293 (52)
44 To reduce property tax expense for taxes paid on property sold during the test year per Staff Audit Issue # 25.		(263)
45 To reduce other tax expense by payroll taxes on 2015 wages recorded during the test year (Staff Audit Issue # 33): 2015 wages recorded during the test year per Staff Adj # 35	Payroll tax percentage	\$ (1,470) 7.65% (112)
Total Adjustments - Other Tax Expense		\$ (1,145)
NET OPERATING INCOME ADJUSTMENTS BEFORE INCOME TAXES PER STAFF		\$ 84,627

**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
PROFORMA ADJUSTMENTS TO INCOME TAXES**

**INCOME TAXES**

To reflect the income tax effect of proforma adjustments to revenue and expenses

Total pro-forma adjustments to Water Revenues - General Customers	\$ -
Total pro-forma adjustments to Water Revenues - Special Contract	-
Total pro-forma adjustments to Other Operating Revenues	200
 Total pro-forma adjustments to Operation & Maintenance Expenses	 83,928
Total pro-forma adjustments to Depreciation Expense	1,946
Total pro-forma adjustments to Amortization of CIAC	-
Total pro-forma adjustments to Amortization of Acquisition Adjustment	-
Total pro-forma adjustments to Amortization Expense - Other	(2,592)
Total pro-forma adjustments to Other Tax Expense	1,145
Total pro-forma adjustments to Gain (Loss) from Disposition of Utility Property	<u>-</u>
 Net Increase (Decrease) in Net Operating Income subject to State Income Tax	 84,627
 New Hampshire Business Profits Tax @ 8.50%	 (7,193)
 Decrease in test year state income tax expense per Staff Audit Issue # 34	 <u>2,966</u>
 Net Increase (Decrease) in Net Operating Income subject to Federal Income Tax	 80,400
 Federal Income Tax @ 34.00%	 (27,336)
 Decrease in test year federal income tax expense per Staff Audit Issue # 34	 <u>3,810</u>
 <b>PROFORMA ADJUSTMENTS TO OPERATING INCOME NET OF INCOME TAX PER STAFF</b>	 <b><u>\$ 56,874</u></b>



**DW 15-209  
LAKES REGION WATER COMPANY, INC.  
TEMPORARY RATES  
REPORT OF PROPOSED RATE CHANGES**

<b>Revenues:</b>	<b>Number of Customers</b>	<b>Present Revenues</b>	<b>Proposed Revenues</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool	1	\$ 1,448	\$ 1,597	\$ 149	10.30%
Unmetered General Customers	591	367,707	406,508	38,801	10.55%
Metered General Customers	1,074	673,988	738,731	64,743	9.61%
Total Unmetered and Metered General Customers	1,666	1,043,143	1,146,837	103,694	9.94%
Suissevale Special Contract	1	136,526	202,280	65,754	48.16%
Total Water Sales	1,667	1,179,669	1,349,117	169,448	14.36%
Other Operating Revenues	N/A	136,341	59,058	(77,283)	-56.68%
Total Operating Revenues	1,667	\$ 1,316,010	\$ 1,408,175	\$ 92,165	7.00%

<b>Rates:</b>	<b>Number of Customers</b>	<b>Present Rates</b>	<b>Proposed Revenues</b>	<b>Proposed \$ Change</b>	<b>Proposed % Change</b>
WVG Pool - Annual	1	\$ 1,452.76	\$ 1,597.17	\$ 144.41	9.94%
Unmetered General Customers - Annual	591	\$ 625.56	\$ 687.83	\$ 62.27	9.95%
Metered General Customers:					
Customer Charge - Annual	1,074	\$ 494.32	\$ 541.02	\$ 46.70	9.45%
Meter Charge - per ccf	1,074	\$ 4.81	\$ 5.26	\$ 0.45	9.45%

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**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**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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Docket #: 15-209-1      Printed: January 06, 2016

**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:**
- DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
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.**