

BEFORE THE  
STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

Docket No. DW 15-\_\_\_\_\_

Lakes Region Water Company, Inc.

**PETITION FOR APPROVAL OF LONG-TERM FINANCING  
AND TRANSFER OF LAND OWNED BY AN AFFILIATE**

NOW COMES Lakes Region Water Company and petitions the Commission for approval of long-term debt and an affiliate transaction as follows:

**I. BACKGROUND**

1. Lakes Region Water Company (“Lakes Region” or the “Company”) provides retail water service to approximately 1,658 customers in 17 drinking water systems. The Company’s largest system is known as “Paradise Shores” and is located in the town of Moultonborough. Paradise Shores consists of 392 retail utility customers in the Balmoral subdivision and one (1) wholesale utility customer, as the Property Owners Association of Suissevale, Inc. (“Suissevale”). Suissevale purchases water from the Company under a wholesale contract approved by the Commission which it then redistributes to its 352 (+/-) residential members.

2. As explained in the testimony of Thomas A. Mason, due to declining yields in its original bedrock well supply, Paradise Shores is served primarily by a well field known as the Mt. Roberts Project. The Mt. Roberts Project is a small production well field permitted by the N.H. Department of Environmental Services (“NHDES”) on July 5, 2012. It has favorable well yields and excellent water quality. It also has the ability to deliver water at sufficient pressures throughout the significant ranges in elevation present in the Paradise Shores system.

3. The Mt. Roberts Project is located on land owned by the Company's shareholder, the Barbara G. Mason 1994 Trust. The NHDES has required that the Company acquire permanent ownership of the land for the Mt. Roberts Project as a condition of approval.

## **II. FINANCING APPROVAL**

4. In Docket No. DW 15-209, Lakes Region has requested approval of a temporary and permanent rate increase based on its 2014 test year, including *pro forma* adjustments for the acquisition of the land and improvements for the Mt. Roberts Project. This petition requests that the Commission approve the financing and mortgage security interest with CoBank ACB pursuant to RSA 369:1-4, as set forth in the testimony and schedules prepared by Stephen P. St. Cyr.

5. CoBank is a government sponsored enterprise owned by its customers who consist of water utilities, agricultural cooperatives, and other businesses serving rural areas in the United States. CoBank issues its debt securities with the implicit full faith and credit of the United States Government. Its borrowing costs are generally lower than commercial banks and financial institutions. The Commission has approved CoBank loans in several other proceedings.

6. As explained in the testimony and schedules, the Company requests that the Commission approve the proposed financing on a not to exceed basis of \$420,000, over twenty (20) years, at a fixed interest rate not to exceed 5.50%, to be determined by CoBank at the time of closing. Lakes Region expects that the actual interest rate at closing, including the Company's patronage discount, will be approximately 4.66%.

## **III. AFFILIATE TRANSACTION APPROVAL**

7. The Company requests that the Commission approve the financing as an affiliate transaction pursuant to RSA 366. The proposed financing with CoBank ACB are market based and therefore not an affiliate transaction. However, the financing will allow the Company's

shareholder, the Barbara G. Mason 1994 Trust, to transfer ownership to the Company to comply with the NHDES approval and therefore involves an affiliate.

8. As explained in the Testimony of Thomas Mason, the Company proposes to acquire the land at a price of \$374,765 (including the cost of the house originally on the lot), which includes interest on funds provided to the Company during a period in which it had no access to capital. The total cost of \$415,906.69 includes costs incurred by the Barbara G. Mason 1994 Trust for surveys, legal fees and real estate taxes. The land cost is substantially below market value.

9. In addition, the actual cost to acquire the land and related costs applied a reduced interest rate on funds of 7.5% to the period from initial investment to July 5, 2012. This is substantially less than the actual costs incurred by the Barbara G. Mason 1994 Trust using the Company's actual allowed rate of return on equity of 9.75% applied over the entire period of ownership. As a result, the proposed land cost is substantially below the actual cost incurred by the Barbara G. Mason 1994 Trust.

#### **IV. CONCLUSION**

10. Approval of this Petition is consistent with the public good because: (a) it will allow the Company to purchase the Mt. Roberts land and permanently protect its source of water supply; and (b) it will allow the Company's rates to reflect the costs of land used to supply high quality water to its customers. The costs to acquire the land for the Mt. Roberts Project from the Company's shareholder are below both cost and market.

WHEREFORE Lakes Region Water Company respectfully requests that the Commission approve this Petition and grant such other relief as justice may require.

Respectfully submitted,

**LAKES REGION WATER  
COMPANY, INC.**

By its Counsel,

**UPTON & HATFIELD, LLP**



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Date: September 30, 2015