



JUSTIN C. RICHARDSON

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February 8, 2023

*Via Electronic Service Only*  
Daniel C. Goldner, Chairman  
c/o [ClerksOffice@puc.nh.gov](mailto:ClerksOffice@puc.nh.gov)  
NH Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, N.H. 03301-2429

Re: Docket DW 22 - 68, *Lakes Region Water Co., Inc., Petition for Step Adjustment*

Chairman Goldner:

Following the Commission's prehearing conference on February 1, 2023, Lakes Region Water Co., Inc ("Lakes Region") conferred with the representatives of the NH Department of Energy ("Department") concerning Lakes Region's October 19, 2022 *Petition for Step Adjustment* ("*Petition*"). Based on discussions with the Department, Lakes Region agreed to submit herewith this update to the schedules in support of its *Petition*.

By way of summary and as further explained below, these updated schedules replace those filed on October 19, 2022 to reflect the following changes or adjustments:

1. Per the Department's request during the Prehearing Conference, Lakes Region has removed the costs of 2021 plant additions which were classified as "Construction Work in Progress" at the time of the April 28, 2022 Settlement Agreement in Docket No. 20 – 187.
2. Lakes Region has agreed to and incorporated the adjustment recommended in the Department's December 20, 2022 Final Audit Report filed with the Commission on February 1, 2022.

Lakes Region does not believe that this update requires any action to be taken by the Commission at this time. Based on discussions with the Department, Lakes Region anticipates further discussions with the Department which may form the basis for a stipulation and/or recommendation to the Commission for its consideration and approval at a future date.

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Legal representation in the areas of water, utility, environmental and land use law in court and before state and local boards.

Lakes Region provides the following by way of further explanation in support of this update:

- As noted in Paragraph 1 of its *Petition* in this docket, on April 28, 2022, Lakes Region and the Department entered into a Settlement Agreement in Docket No. 20 – 187 which provided for a “Step I Adjustment” based on three components: “(1) the costs of post-test year plant additions placed in service as of December 31, 2020 and 2021; (2) post-test year Annual Wage Expense increases that were deferred pending review in this proceeding, as set forth in Schedules 1 to 5d in Attachment B; (3) and completion of paving work associated with post-test year plant additions estimated to be completed in the second quarter of 2022”.<sup>1</sup> The Settlement Agreement was approved by Commission Order No. 26,663 on May 27, 2022, as revised on July 12, 2022.
- The Settlement Agreement provided for a “not-to-exceed” Step I Adjustment, stating: “the proposed Step I adjustment, subject to DOE Audit Staff and Settling Parties’ review, will result in an increase not to exceed \$144,863 in the Company’s revenue requirement. That is an approximate 10.83 percent increase in the pro forma 2019 test year revenues of \$1,337,149, as set forth in the schedules included in Attachment B.”<sup>2</sup>
- The Settlement Agreement required Lakes Region to “file all applicable materials to the DOE for the DOE Audit Division’s review. Once the audit is complete, the DOE, and other parties to the docket, will review the filing and resulting calculations, in conjunction with the Company, and submit a report to the Commission recommending a final revenue requirement increase and resulting rates”.<sup>3</sup>
- On June 7, 2022, Lakes Region filed its Annual Report to the Commission for the Year Ending December 31, 2021. Prior to finalizing its Annual Report, Lakes Region updated its utility plant accounts to reflect construction work in progress (Account 105) which had been completed and placed in service during the 2021 reporting period.
- On October 19, 2022, Lakes Region submitted its *Petition for a Step Adjustment* pursuant to the Settlement Agreement reflecting the “costs of post-test year plant additions placed in service as of December 31, 2020 and 2021” (Page 6). Lakes Region provided “all applicable materials” related to its post-test year plant additions as required by the Settlement Agreement,<sup>4</sup> which reflected \$749,126 in

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<sup>1</sup> Settlement Agreement, Paragraph III (C), Page 6.

<sup>2</sup> Settlement Agreement, Paragraph III (C), Page 7.

<sup>3</sup> Settlement Agreement, Paragraph III (C), Page 7.

<sup>4</sup> Settlement Agreement, Paragraph III (C), Page 7.

post-test year plant additions,<sup>5</sup> compared to the \$670,351 identified in the schedules included with the Settlement Agreement.<sup>6</sup>

- However, as acknowledged in Paragraph 4 of its *Petition*, Lakes Region requested that the Commission approve a “step adjustment in the amount of \$144,863, which is the not-to-exceed amount approved by the Commission in the Settlement Agreement”.<sup>7</sup> Lakes Region did not request or intend to request a Step Adjustment different or greater than expressly provided for in the Settlement Agreement.
- On December 20, 2022, the Department’s Audit Division prepared its Final Audit Report. In its Final Audit Report, the Department found that the Company had incorrectly recorded the “combined a trade-in value of a magnetic locator, \$700 with the cost of a new magnetic locator, \$884 and reflected the sum of \$1,584 as the value of the new locator.”<sup>8</sup> As a result, the Department concluded that the Company had overstated its plant in service account by \$700 and recommended that: “[t]he Company should update the filing with the correct amount of \$884 and adjust the general ledger and continuing property records to reflect the \$884.”<sup>9</sup> The Department’s Audit Division did not recommend any other changes or corrections to Lakes Region’s accounts.
- Lakes Region agreed with the Department’s Final Audit Report and has made an adjustment to its general ledger and continuing property records as of 12/31/2022 to reflect the corrected original cost of the magnetic locator of \$884.00. Lakes Region further agreed to update its Petition to make this correction.
- During discussions following the Prehearing Conference on February 1, 2023, the Department requested that Lake Region further adjust its Petition to remove \$240 in costs from its Plant Account 311 for the Far Echo Harbor Division.
- Lakes Region has agreed to all of the Department’s requests and recommendations and submits herewith updated schedules which reflect these changes.

As a result of the above, Lakes Region has updated and submits herewith the enclosed updated schedules to reflect: (1) removal of all of the costs for construction work in progress (Account 105) that were moved to its utility plant additions subsequent to the April 28, 2022 Settlement Agreement; (2) the recommendation of the Department’s Audit Division in its December 20, 2022 Final Audit Report filed with the Commission on February 1, 2023; and (3) removal of \$240 in costs from its Plant Account 311 for the Far Echo Harbor Division.

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<sup>5</sup> Petition, Schedule 3.

<sup>6</sup> See Settlement Agreement, Attachment B, Schedule 3,

<sup>7</sup> *Petition*, Paragraph 4; Settlement Agreement, Paragraph III (C), Page 7.

<sup>8</sup> December 20, 2022, Final Audit Report, Page 36.

<sup>9</sup> December 20, 2022, Final Audit Report, Page 36.

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Lakes Region does not believe that this update requires any action to be taken by the Commission at this time. However, Lakes Region anticipates this update will facilitate further discussions with the Department which may result in a joint stipulation and/or recommendation to the Commission for its consideration and approval in accordance with the procedural schedule in this proceeding.

If there are any questions, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin Richardson", with a long horizontal flourish extending to the right.

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Enclosure, Updated Schedules 1 – 4.

Cc: Service List