



JUSTIN C. RICHARDSON

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May 9, 2023

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

Re: *Request for Abbreviated Order Nisi*, Docket No. 22 – 87.

Chairman Goldner:

On March 28, 2023, the New Hampshire Department of Energy (DOE) submitted a Technical Statement as its recommendation to the Commission regarding Lakes Region's request for approval of its proposed financing with CoBank ACB for a water supply project required due to increasing demand and declining well yields in its Paradise Shores system. In its Technical Statement the DOE concluded that: "based on the need for the project and reasonable terms for the loan, the DOE recommends that the Commission approve Lakes Region's request for the financing."¹ To the best of Lakes Region's knowledge, there are no other parties or persons who have objected to or oppose Lakes Region's petition for approval in this docket or otherwise.

In light of the DOE's Technical Statement and recommendation, Lakes Region respectfully requests that the Commission approve and authorize the proposed financing by Order Nisi with an abbreviated nisi period, such as 10 days, for the following reasons:

Risk of Interest Rate Increases. At the time Lakes Region petitioned for approval of the proposed financing on December 16, 2022, fixed interest rates were estimated to be 6.75% for a 20-year term loan.² However, by the date of DOE's Technical Statement, due to changing economic conditions, estimated interest rates had increased to 7.04%.³ Lakes Region understands that the Federal Reserve recently increased short term interest rates and is concerned that long term interest rates may continue to increase. Upon Commission approval, Lakes

¹ Technical Statement, Page 1.

² Petition, Para IV (3), Page 2; Pre-Filed Direct Testimony of Stephen St. Cyr, Page 4.

³ Technical Statement, Page 1.

Region anticipates it will request that CoBank obtain the necessary approvals to lock a fixed interest rate as soon as possible and thereby reduce or avoid the impact of any future increases.

Project Impacts on Cash Flows. Lakes Region has continued to work on the Project pending approvals by the Commission because an additional source of supply is critical to avoid water shortages that have occurred during droughts and periods of peak demand. The progress on the Project has been positive: three of the four proposed wells have been drilled. The preliminary test of the second well are favorable, showing a potential yield of 20 gallons per minute.⁴ A third well is undergoing preliminary testing and similar results are anticipated.⁵ However, Lakes Region's ability to move forward with the Project with an estimated cost of \$862,080 is limited due to the Project's significant impact on cash flows.⁶ As a result, Lakes Region's ability to continue to move forward with the Project is limited. Financing approval is needed in order to complete work to serve customers during peak summer demand.

As a result, Lakes Region requests that the Commission approve the proposed financing by Order Nisi with a shortened nisi period, such as 10 days, from the date of its order. This will help Lakes Region lock interest rates and continue to move forward with the Project to reduce the risk of supply shortages during peak summer demand.

Lakes Region forwarded this request to the DOE. The DOE advised that it takes no position on this request.

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

Very truly yours,

A handwritten signature in black ink that reads "Justin Richardson". The signature is fluid and cursive, with the first name "Justin" and last name "Richardson" clearly legible.

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Cc: Service List

⁴ Env-Dw 305 provides for detailed requirements for pumping tests for small production wells, including a requirement that pumping tests be performed for periods not less than 72 hours (Env-Dw 305.14) in order to demonstrate that "drawdown in the well has stabilized at a yield that is sustainable" Env-Dw 305.29 (d)(4). As a result, the preliminary results obtained are favorable and demonstrate that the Project will benefit customers. However, the final well yields are determined by the Department of Environmental Services based on the detailed analysis to be completed as part of the financing.

⁵ See note above.

⁶ By comparison, Lakes Region's Annual Report for the Year Ending December 31, 2021, shows a total Net Income of \$335,543 (Form F-2 Line 31). Lakes Region's Annual Report for the Year Ending 31, 2022, shows a total Net Income of \$197,398 (Form F-2 Line 14). The costs of the project of this nature therefore need to be amortized over a longer term such as the proposed 20-year note with CoBank ACB.