

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 22-087

LAKES REGION WATER COMPANY, INC.

Petition for Approval of Long-Term Financing

Order *Nisi* Approving Financing

O R D E R N O. 26,817

May 12, 2023

Lakes Region Water Company, Inc. (Lakes Region, or the Company), requests approval of long-term financing through CoBank, ACB (CoBank). The Commission authorizes Lakes Region to borrow up to \$862,080 from CoBank to finance the cost of developing a new well source for its Paradise Shores system in Moultonborough, NH.

The petition and subsequent docket filings, other than information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at www.puc.nh.gov/Regulatory/Docketbk/2022/22-087.html.

I. BACKGROUND AND PROCEDURAL HISTORY

Lakes Region is a regulated water utility as defined by RSA 362:2 and RSA 362:4. The Company's largest system, known as "Paradise Shores," is located in Moultonborough. The Paradise Shores system includes 421 mostly seasonal retail customers in the Balmoral subdivision and one wholesale utility customer, the Property Owners Association of Suissevale, Inc. (Suissevale). Suissevale purchases water from Lakes Region under a wholesale contract and redistributes that supply to its approximately 400 residential members.

Lakes Region filed its petition on December 16, 2022. On March 28, 2023, DOE filed a technical statement recommending approval of the petition. The Office of the

Consumer Advocate did not submit an appearance in this docket, and no petitions to intervene were filed.

II. POSITIONS OF THE PARTIES

A. LAKES REGION

Lakes Region proposes to borrow \$862,080 from CoBank at a fixed interest rate to develop a new well source, construct a new pump and meter station, and connect to the existing water system at Paradise Shores in Moultonborough. Total financing costs to secure the loan are estimated to be \$20,575, which will be amortized over 20 years, consistent with the terms of the loan. Lakes Region stated that it has an ongoing relationship with CoBank that reduces the burden of financial and reporting requirements associated with having multiple lenders. The Company did not apply for low-interest financing through the NH Department of Environmental Services (NHDES) programs, which it asserts would have required additional administration, financial covenants, and security obligations. However, the company plans to explore grant options through Source Water Protection funding under the NHDES Drinking Water and Ground Water Trust programs.

B. DOE

DOE and its consultant reviewed Lakes Region's filings and recommended that the Commission approve the proposed financing and find the financing to be consistent with the public good pursuant to RSA 369:1. DOE determined that Paradise Shores requires additional supply and that Lakes Region's proposal for the development of a new well source is a reasonable solution consistent with the Company's duty to provide safe, adequate, and reliable water service to its customers under RSA 374:1. DOE further noted the declining production from existing wells;

average demand exceeding allowed well yields; and the necessity for trucked-in water, and concluded that the proposed improvements appear to be investments made in the ordinary course of the Company's operations under RSA 374:1.

While noting a projected increase of 5.39 percent on general customer rates, DOE concluded that, from a regulatory standpoint, the proposed all-debt financing should improve the Company's capital structure, as it would move the debt-to-equity ratio to a more balanced position, from 30/70 to 60/40. Thus, DOE concluded that the terms of the loan are reasonable and that the proposed financing would effectively reduce the Company's weighted average cost of capital to the benefit of ratepayers. Accordingly, DOE recommended that the Commission find the proposed financing to be consistent with the public good, as required by RSA 369:1, and approve Lakes Region's request.

III. COMMISSION ANALYSIS

RSA 369:1 states that a utility may, "with the approval of the commission but not otherwise, issue and sell ... notes and other evidences of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes." The Commission shall authorize the financing "if in its judgment the issue of such securities upon the terms proposed is consistent with the public good." RSA 369:4. The Commission reviews the amount to be financed, the reasonableness of the terms and conditions, the proposed use of proceeds, and the effect on rates. *Appeal of Easton*, 125 NH 205, 211 (1984) (*Easton*).

The rigor of an *Easton* inquiry varies depending on the circumstances of the request. As the Commission has noted in prior decisions, "certain financing related circumstances are routine, calling for more limited Commission review of the purposes

and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing.” *Public Service Company of New Hampshire*, Order No. 25,050 at 14 (December 8, 2009). We engage in a more limited review for routine financing requests. *Id.* at 13-14. A routine request is one that will have no discernible “impact on rates or deleterious effect on capitalization, [and] in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations.” *Id.* at 13.

Lakes Region stated that the proposed financing in the amount of \$862,080 will be used to to finance the cost of developing a new well source, to construct a new pump/meter station and access road, and to connect to the existing Paradise Shores system, which serves mostly seasonal customers in Moultonborough, NH. Based on the Company’s petition and DOE’s substantive analysis of the proposed financing, we concur with DOE that the intended use of the proposed financing falls within the course of the Company’s ordinary utility operations. We further concur with DOE’s assessment that the proposed financing will lead to a more balanced capital structure, and lower weighted cost of capital that will benefit ratepayers. Accordingly, based on Lakes Region’s petition and DOE’s analysis and recommendation, the Commission finds the proposed financing to be reasonable.

We therefore conclude that approval of the proposed refinancing will permit Lakes Region to fulfill its duty under RSA 374:1 to provide safe, adequate, and reliable service to its customers, and that the financing is consistent with the public good, pursuant to RSA 369:1 and RSA 369:4. Accordingly, based on the Company’s petition and on DOE’s comprehensive investigation of the petition and review of discovery

responses provided by the Company, we find that the financing request to be consistent with the public good. We therefore find that further investigation is not required and approve the proposed financing for effect on the date of this order.

Our approval of Lakes Region's financing does not limit or preclude the Commission from reviewing in a future case, directly or indirectly, the prudence, use, and usefulness of any specific project financed by the borrowed funds. RSA 378:28. The Commission retains the authority under RSA 374:4 to be kept informed of Lakes Region's use of the financing and any efforts to refinance under more favorable interest rates, separate and apart from any review under RSA 378:28.

Based upon the foregoing, it is hereby

ORDERED *MSI*, that subject to the effective date below, the request of Lakes Region Water Company, Inc. for approval of its proposed long-term financing, specifically borrowing up to \$862,080, for a 20-year term at a fixed interested rate to be determined by CoBank at the time of closing, as described herein, is hereby GRANTED; and it is

FURTHER ORDERED, that Lakes Region Water Company, Inc. file with DOE and the Commission evidence of the financing and the applicable interest rate within 15 days of the close of the financing; and it is

FURTHER ORDERED, that, by no later than June 9, 2023, Lakes Region shall report the conditions under which the Company may pay this loan back on an expedited basis or refinance the loan when more favorable terms, including lower interest rates, become available; and it is

FURTHER ORDERED, that Lakes Region shall apprise the Commission and DOE annually, for a period of five years from the date of this order, of any favorable interest rate trends in the banking industry; and it is

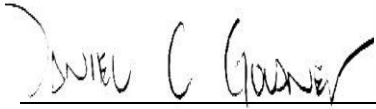
FURTHER ORDERED, that the Petitioner shall cause a copy of this order to be published on its website by no later than the close of business on May 12, 2023; and through bill inserts in the next billing cycle after the issuance of this order, and once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than May 19, 2023, and to be documented by affidavit filed with this office on or before May 22, 2023; and it is

FURTHER ORDERED, that all persons interested in responding to this order be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than May 23, 2023, for the Commission's consideration; and it is

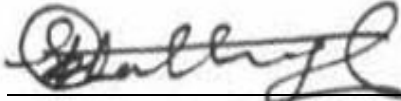
FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than May 25, 2023; and it is

FURTHER ORDERED, that this order shall be effective May 26, 2023, unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date.

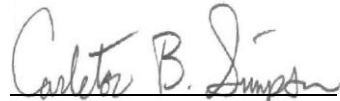
By order of the Public Utilities Commission of New Hampshire this twelfth day
of May, 2023.



Daniel C. Goldner
Chairman



Pradip K. Chattopadhyay
Commissioner



Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 22-087

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