

DW 05-137

LAKES REGION WATER CO., INC.

Petition for Permanent Rates

**Order Suspending Proposed Tariff Revisions for a Permanent Rate Increase and
Scheduling a Prehearing Conference**

ORDER NO. 24,576

January 6, 2006

Lakes Region Water Company, Inc. (Lakes Region) is a regulated public utility pursuant to RSA 362:2, and serves approximately 1,513 customers in the Towns of Campton, Conway, Freedom, Gilford, Moultonborough, Ossipee, Tamworth, Thornton, Tuftonboro, and Wolfeboro, and the City of Laconia. On August 23, 2005, Lakes Region filed a Notice of Intent to File Rate Schedules with the New Hampshire Public Utilities Commission (Commission) and contemporaneously submitted a request to waive certain filing requirements of Puc 1604.01(a). On December 29, 2005, Staff of the Commission (Staff) filed a letter with the Commission recommending that the Commission approve Lakes Region's waiver requests.

On October 24, 2005, and again on November 17, 2005, Lakes Region requested 30-day extensions to file its rate schedules; both requests were approved by the Commission. On December 19, 2005, Lakes Region filed with the Commission proposed tariff pages and supporting documentation increasing permanent rates for customers in the following divisions: Far Echo Harbor, Paradise Shores, West Point, Waterville Valley Gateway, Hidden Valley, Wentworth Cove, Pendleton Cove, Deer Run, Woodland Grove, Echo Lake Woods, and Brake Hill Estates. Lakes Region proposes a 16.38% rate increase for these systems based on Lakes Region's operating results from 2004. Lakes Region avers that it realized an actual revenue

deficiency of \$88,908 for its test year. Lakes Region proposes the new rates be effective January 1, 2006.

Lakes Region owns Hidden Valley Shores and Gunstock Glen but did not list them in the proposed tariff. The Commission is unaware of whether this is an inadvertent oversight and we will instruct Lakes Region to clarify this at the Prehearing.

Lakes Region also requests Commission approval to incorporate other divisions into its consolidated rate: Tamworth, 175 Estates, Deer Cove, Lake Ossipee Village, and Indian Mound. In support of this request, Lakes Region states it has made capital improvements to 175 Estates and it intends to install meters at the remaining systems in the near future. Lakes Region estimates the proposed rate increases to be: 7.18% for 175 Estates, 209% for Lake Ossipee Village, 83% for Deer Cove, and 50% for Indian Mound.

In addition to the proposed rate increases, Lakes Region requests approval of a quarterly surcharge to customer bills in the amount of \$4.53, for four quarters, in order to recover certain purchased water expenses incurred during 2004 and 2005. Lakes Region proposes to raise its annual community pool charge for Waterville Valley Gateway from \$781 to \$1000. Lakes Region also requests approval of a step adjustment to rates during 2006 for a return on planned capital investments made after the test year as follows: completion of a water storage tank at its Paradise Shores system (\$236,500); construction of a garage and storage building at its general office (\$60,000); purchase and installation of meters at its Lake Ossipee Village and Tamworth systems (\$61,650); replacement of a storage tank at the West Point system (\$40,000); installation of a well at the Deer Run system (\$20,000); and installation of a remote monitoring system at the 175 Estates system (\$7,500). The step adjustment, together with depreciation

expense and associated taxes, results in an additional revenue request of \$74,756, or an additional 12% increase in rates. Lastly, Lakes Region states that if the Commission suspends its proposed schedule of rates as filed, it would make a filing for temporary rates pursuant to RSA 378:27.

The filing raises, inter alia, issues related to: RSA 378 and whether the proposed rates, fares, and charges, including the proposed surcharge for purchased water and the step adjustment proposed for 2006 are just and reasonable; the reasonableness of increases in operation and maintenance expenses; Lakes Region's proposal to include the 175 Estates, Lake Ossipee Village, Deer Cove and Indian Mound systems in its consolidated tariff; capital costs associated with plant additions; and, the overall rate of return proposed to be applied to plant used and useful in the provision of service. These and other issues will be addressed in the proceeding.

We find, pursuant to Puc 201.05, that the request to waive certain requirements of Puc 1604.01 is reasonable. Staff and the parties will have the opportunity to explore these matters in discovery and thus the purpose of the rule will be satisfied. Also, to require Lakes Region to produce documents it does not ordinarily produce would be onerous for a utility of its size. Accordingly, we will grant the requested waiver of N.H. Admin. Rules, Puc 1604.01 (a) all items except for (a)(4), (a)(11), (a)(20), and (a)(21).

Based upon the foregoing, it is hereby

ORDERED, that Lakes Region Water Company, Inc.'s NHPUC No. 5 WATER, 3rd Revised Page 9 and 3rd Revised Page 10 are hereby suspended in order to conduct a thorough investigation prior to rendering a final order in this proceeding; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Admin. Rules Puc 203.05, be held before the New Hampshire Public Utilities Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on January 26, 2006 at 10:00 a.m. at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the Petition; and it is

FURTHER ORDERED, that immediately following the Prehearing Conference, Lakes Region, Commission Staff and Intervenors hold a Technical Session to review the noticed issues and determine a proposed procedural schedule for consideration of the issues raised; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.01, Lakes Region notify all persons desiring to be heard at the prehearing conference by publishing a copy of this Order of Notice no later than January 12, 2006, in a newspaper(s) of general circulation in the areas served and documented by affidavit filed with the Commission on or before January 26, 2006; and it is

FURTHER ORDERED, that pursuant to N.H. Admin. Rules Puc 203.02, any party seeking to intervene in the proceeding shall submit to the Commission an original and eight copies of a Petition to Intervene with copies sent to Lakes Region and the Office of the Consumer Advocate on or before January 23, 2006, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Admin. Rule Puc 203.02 (a)(2); and it is

FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before January 26, 2006; and it is

FURTHER ORDERED, that in addition to the legal notice required above for the Prehearing Conference, Lakes Region shall either publish by January 16, 2006 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between Lakes Region and the Executive Director and Secretary, or shall provide direct notice of this proceeding by mailing a copy of this order to each of its customers.

By order of the Public Utilities Commission of New Hampshire this sixth day of January, 2006.

Thomas B. Getz
Chairman

Graham J. Morrison
Commissioner

Clifton C. Below
Commissioner

Attested by:

Debra A. Howland
Executive Director & Secretary