

THE STATE OF NEW HAMPSHIRE

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NHPUC 23DEC'16AM10:12

December 23, 2016

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301

Re: DW 16-854, Lakes Region Water Company, Inc.  
Petition for Authority to Issue Long-term Debt  
Staff Recommendation for Approval

Dear Ms. Howland:

On November 30, 2016, Lakes Region Water Company, Inc. (Lakes Region) submitted a request pursuant to RSA 369:1 for authority to issue long-term debt. The company seeks permission to borrow \$265,000 from CoBank in order to finance construction projects in their Paradise Shores and Indian Mound divisions. After review, Staff recommends that the Commission approve Lakes Region's proposed financing.

Under RSA 369:1, public utilities engaged in business in this state may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good involves looking beyond the actual terms of the proposed financing to the use of the funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). "[C]ertain 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." *Lakes Region Water Company, Inc.*, Order No. 25,753 (January 13, 2015) at 4-5, citing *Public Service Company of NH*, Order No. 25,050, 94 NH PUC 691, 699 (2009). Given that this financing and the associated projects were presented and discussed in the company's recent rate case<sup>1</sup> and Dockham Shores acquisition case<sup>2</sup>, Staff sees this financing as a routine one.

<sup>1</sup> DW 15-209, Order No. 25,969 (November 8, 2016) authorizes, among other things, Lakes Region a second step adjustment to permanent rates based on two pending capital projects anticipated to be \$401,000 with debt financing from CoBank and additional equity financing subject to Commission approval. This second step adjustment is also required to be filed for Commission review by December 31, 2017.

<sup>2</sup> DW 16-619, Order No. 25,964 (November 10, 2016) authorizes, among other things, Lakes Region to borrow up to \$135,000 to finance the acquisition of utility assets and to make significant improvement to the Dockham Shores water system.

The filing describes the terms associated with the \$265,000 financing. Lakes Region was able to secure a rate not to exceed 5.10% from CoBank, a government sponsored enterprise (GSE) owned by its customers, typically enterprises such as agricultural cooperatives and utilities that serve rural areas. This financing will be repaid in consecutive monthly installments over a 20-year term and is eligible for patronage dividends. This financing is the remaining portion of a \$400,000 loan offered by CoBank in May, 2016 which was discussed and approved in Lakes Region's most recent acquisition filing; DW 16-619, Order No. 25,964 (November 10, 2016).

Replacing mains and services in Paradise Shores and Indian Mound is estimated to cost a total of \$401,000. The proposed financing will cover \$265,000 of the costs and the remaining amount of approximately \$136,000 will be provided as paid in capital by Lakes Region's owners. Replacing these mains and services will result in cost savings to the company by lowering operating and maintenance costs through the elimination of anticipated repair costs and water loss associated with aging infrastructure. The projects have been coordinated with the paving programs of the Town of Moultonboro and the Indian Mound Home Owners' Association, further saving the company money. These projects were discussed and approved as the Step 2 Adjustment in Lakes Region's most recent rate filing; DW 15-209, Order No. 25,969 (November 8, 2016).

Staff has reviewed and supports the financing as presented by Lakes Region. The procurement of the proposed CoBank loan and addition of paid in capital by the owners of Lakes Region ensures that the Company will finance the approved projects at Paradise Shores and Indian Mound at the lowest possible cost to customers. The new debt and additional paid in capital to be added to the company's balance sheet will have a minimal effect on the company's capital structure. Staff therefore believes that Lakes Region has demonstrated that the proposed use of the funds is appropriate and consistent with the Company's duty to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

If there are any questions regarding this recommendation, please let me know.

Sincerely,



Robyn J. Descoteau  
Utility Analyst, Gas & Water Division

Cc: service list

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**SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED**

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**Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.**

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**FILING INSTRUCTIONS:**

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

DEBRA A HOWLAND  
EXECUTIVE DIRECTOR  
NHPUC  
21 S. FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**