

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX (603) 271-3878

Website:
www.puc.nh.gov

CHAIRMAN
Martin P. Honigberg

COMMISSIONERS
Robert R. Scott
Kathryn M. Bailey

EXECUTIVE DIRECTOR
Debra A. Howland

NHPUC 15FEB'17PM1:57

February 15, 2017

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 to Amend Order for Change in Interest Rate

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 sought permission to borrow \$265,000 from CoBank in order to finance construction projects in their Paradise Shores and Indian Mound divisions. The term sheet submitted as part of the filing described the terms of the financing as of October 31, 2016. At the time, Lakes Region requested that the Commission approved a loan at an interest rate not to exceed 5.10% from CoBank. That was the rate offered to Lakes Region by CoBank at the time of the loan request. The loan was set up to be repaid in consecutive monthly installments over a 20-year term and was eligible for patronage dividends. Commission Order #25,984, January 31, 2017 approved the financing.

On February 7, 2017, Lakes Region contacted the commission by letter regarding the CoBank financing approved by Commission Order #25,984. Lakes Region was advised by CoBank that the quoted interest rate on the \$265,000 CoBank loan as of February 7, 2017 is currently 5.67%. CoBank had informed Lakes Region that interest rates will continue to change until the loan is closed and funds are withdrawn. Lakes Region has the option to take a "Forward Fixed Rate" set until the end of the availability period in October of 5.82%. However, if interest rates drop, the company would not be able to take advantage of the lower rates without the potential of a large penalty. Lakes Region requests that Order #25,984 be amended to allow the company the necessary flexibility to still procure the approved CoBank financing even with the likely event that the finalized interest rate of the loan is likely to exceed the 5.10% quoted on October 31, 2016.

Staff recommends that Commission Order #25,984 be amended to accommodate fluctuations in interest rates of not more than 6.60% between now and the completion of the Paradise Shores and Indian Mound projects or the availability period of the loan which expires on October 31, 2017, whichever comes first. If interest rates rise beyond 6.60%, Lakes Region would be required to inform the Commission for a possible reevaluation of the financing. Staff believes that the impending change of the quoted interest rate, from 5.10% to 5.67%, on the \$265,000 loan is likely to have a minimal financial impact on future customer rates and will continue to benefit Lakes Region customers by keeping the company's overall cost of capital low.

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

Sincerely,



Robyn J. Descoteau
Utility Analyst, Gas & Water Division

cc: Service list

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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

Executive.Director@puc.nh.gov

amanda.noonan@puc.nh.gov

john.clifford@puc.nh.gov

leah@Lakesregionwater.com

mark.naylor@puc.nh.gov

ocalitigation@oca.nh.gov

steve.frink@puc.nh.gov

Docket #: 16-854-1

Printed: February 15, 2017

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.**