

STATE OF NEW HAMPSHIRE

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Debra A. Howland



PUBLIC UTILITIES COMMISSION  
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November 4, 2019

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

RE: DW 19-155 Lakes Region Water Company, Inc.  
Petition for Approval of Long-term Debt  
Staff Recommendation for Approval of Petition

Dear Ms. Howland:

On September 19, 2019, Lakes Region Water Company, Inc. (Lakes Region or Company) filed a petition requesting authority to borrow \$36,469 from Ford Motor Credit towards the purchase of a 2019 Ford F-150 4-wheel drive pickup truck. The direct pre-filed testimony of Leah Valladares, Lakes Region's Utility Manager, accompanied the Company's petition. Staff reviewed the Company's filing and propounded discovery to which the Company responded. See attached. While the Company's responses amended its filing, the requested financed amount and financing terms remained unchanged. Staff recommends 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). Consistent with past similar financing dockets, Staff reviewed Lakes Region's filing as a routine financing.

The total cost of the new vehicle is \$42,469. Lakes Region anticipates making a \$6,000 cash down payment from the proceeds of the sale of the truck that it is replacing, which is a fully amortized 2014 Ford F-150 with approximately 144,247 miles. The Company states that it is necessary to replace this vehicle due to its high mileage, in order to ensure dependable service to its customers and to avoid potentially expensive maintenance and repairs. The anticipated buyer of the old vehicle is a party who is not affiliated with the Company, shareholders, management or staff. The Company

November 4, 2019

derived the \$6,000 selling price based on the dealership's offered trade-in value for the old truck. However, if the anticipated sale of the old truck does not occur, Lakes Region will offer that vehicle to the dealership in trade, instead.

A five-year loan for \$36,469 at 1.90% interest from Ford Motor Credit will finance the remaining cost of the new vehicle. Ms. Valladeres' testimony detailed four alternative purchase and financing options considered by the Company relative to the new vehicle and demonstrated that the purchase and financing option ultimately selected by Lakes Region and proposed for Commission approval is the overall least expensive option.


Lakes Region also demonstrated that the proposed financing will have a negligible impact on the Company's present capital structure, as its overall debt capitalization is estimated to increase by only approximately 50 basis points from 26.11% to 26.64%. Further, the proposed purchase and financing of the vehicle will have a minimal impact on Lakes Region's anticipated overall revenue requirement through increasing it by only 0.59%.

Lakes Region's petition avers that its request for financing is consistent with the public good because the new vehicle will contribute towards ensuring the Company will continue to provide dependable water service to its customers. In addition, the new vehicle will allow the company to avoid potentially unreasonable and expensive maintenance and repair expenses associated with older vehicles with high mileage. Lakes Region filed its petition on September 19, 2019, and requested expedited treatment of its petition given that it was necessary to order the new vehicle prior to the end of September when Ford's rebates and special financing offer expired. Delivery of the new vehicle is not scheduled to occur until later this year, and the Company states it will find alternative financing should the Commission deny its petition.

Staff reviewed Lakes Region's filing and supporting discovery responses and recommends the Commission approve the Company's request for financing as proposed. Staff believes that Lakes Region has demonstrated that the proposed use of the funds for the purchase of a more reliable vehicle is appropriate and that the proposed terms of the financing are appropriate, as well. Staff concludes that the proposed transaction will enable Lakes Region to provide "reasonably safe and adequate and in all other respects just and reasonable" service to its customers. RSA 374:1.

Thank you for your attention and assistance with this matter. If you have any questions, please contact me.

Sincerely,



Jayson P. Laflamme  
Assistant Director, Gas-Water Division

Attachments: Lakes Region's Discovery Responses, Set 1 and 2  
cc: Service List

# LAKE REGION WATER COMPANY INC.

420 Governor Wentworth Highway, PO Box 389  
Moultonborough, NH 03254  
Telephone: 603-476-2348, Fax: 603-476-2721  
Hours: Monday through Friday, 8:30am to 4:30pm

September 30, 2019

Debra A. Howland  
Executive Director and Secretary  
Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, N. H. 03301-2429

Re: Docket # DW 19-155  
Lakes Region Water Company  
Petition for Approval of Long-Term Debt  
Staff Set 1 Data Request

Dear Ms. Howland:

Attached please find the Company's responses to Staff Set 1 Data Request for Docket # DW 19-155, Petition for Approval of Long-Term Debt.

If you, the Staff and/or the Commissioners have any questions or comments, or need additional information, please contact me directly at (603) 476-2348.

Sincerely,  
*Leah Valladares*  
Leah Valladares  
Utility Manager

CC: Tom Mason  
Discovery List via Email

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-1

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Reference: Leah Valladares Direct Testimony (LV) Exhibit 4, JE # 2 reflects the cost of the 2019 Ford F-150 as \$36,469, which is the amount of the proposed financing. However, should not the purchase price also reflect the \$6,000 anticipated cash down payment, as well, for a total cost of \$42,469? See also Testimony p. 2, Exhibit 9. If the answer is yes, please revise your exhibits accordingly.

**RESPONSE:** Please see attached revised Exhibit 1-8

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-2

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Reference: LV Exhibit 4, JE # 3 indicates that the cost of the 2014 F-150 is \$34,803. Testimony, Page 2 indicates that the original cost of the 2014 Ford F-150 was \$32,271; a difference of \$2,532. Please explain, and revise your exhibits accordingly, if necessary.

**RESPONSE:** Testimony, Page 2 is referring to the original financing with Ford Motor Credit. The loan was for \$32,271. The difference of \$2,532 was accessories purchased for the 2014 F150 not included in the financing. The Company paid for the accessories out of operating cash. The accessories will be retired along with the vehicle.

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-3

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Reference: LV Exhibit 4, JE # 4 is an entry "To reverse 2018 depreciation" of \$6,091. Please provide further explanation regarding the reason and necessity for this entry.

**RESPONSE:** This entry was not needed. Please see revised Exhibit 4.

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-4

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Reference: LV Exhibit 5, Rate of Return is 4.59%. Since the new asset is being financed by debt predominantly (\$36,469) at 1.90% as well as cash (\$6,000), should not the Rate of Return reflect a blend of debt financing of \$36,469 at 1.90% as well as cash of \$6,000 at the Company's prevailing cost of capital rate?

**RESPONSE:** Yes, see attached revised Exhibit 5.

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-5

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Reference: LV Exhibit 6: It appears that the total interest anticipated on the loan over the entire 5-year term, \$1,789, is included in this calculation. Instead, should not this calculation reflect only one-year of interest expense, resulting in a cost rate for debt that approximates the stated interest rate on the loan of 1.90%?

**RESPONSE:** Yes, see attached revised Exhibit 6.



LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-6

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Reference: LV Exhibit 6: Should not this calculation also include the cost rate of the anticipated \$6,000 down payment using the Company's prevailing cost of capital rate?

**RESPONSE:** Yes, see attached revised Exhibit 6.

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-7

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** If the Commission does not approve the requested debt, how does the Company intend to finance the truck purchase?

**RESPONSE:** The Company will seek other funding sources.

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 1

Data Request Received: 09/26/19  
Request No. Staff 1-8

Date of Response: 09/30/19  
Witness: Leah Valladares

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**REQUEST:** Should a Commission order approving the financing not be issued by the end of September, when the rebates and special financing terms are due to expire, what is the absolute last date that a Commission order may be issued in order for the Company's financed purchase under the contemplated terms to still be in compliance with RSA 369?

**RESPONSE:** November 25, 2019 is the absolute last date the Commission order should be issued.

**Lakes Region Water Company**

Revised Exhibit 1-1

**2019 Financing with Ford Motor Credit 1 Vehicle**
**Balance Sheet**
**Assets and Other Debits**

Line No. (a)	Account Title (Number) (b)	2018 Actual Year End Balance (c)	Adjustments (d)	2018 Proformed Year End Balance (e)
<b>UTILITY PLANT</b>				
1	Utility Plant (101-106)	\$ 6,612,606	\$ 7,666	\$ 6,620,272
2	Less: Accumulated Depr. and Amort. (108-110)	\$ 2,060,072	\$ 30,556	\$ 2,090,628
3	Net Plant	\$ 4,552,534	\$ 38,222	\$ 4,590,756
4	Utility Plant Acquisition Adj. (Net) (114-115)	(79,542)		(79,542)
5	Total Net Utility Plant	\$ 4,472,992	\$ 38,222	\$ 4,511,214
<b>OTHER PROPERTY AND INVESTMENTS</b>				
6	Nonutility Property (121)			
7	Less: Accumulated Depr. and Amort. (122)			
8	Net Nonutility Property			
9	Investment in Associated Companies (123)			
11	Utility Investments (124)			
12	Other Investments (125)	8,250		8,250
13	Special Funds(126-128)			
14	Total Other Property & Investments	\$ 8,250		\$ 8,250
<b>CURRENT AND ACCRUED ASSETS</b>				
16	Cash (131)	89,862	(7,651)	82,211
17	Special Deposits (132)			
18	Other Special Deposits (133)			
19	Working Funds (134)			
20	Temporary Cash Investments (135)			
21	Accounts and Notes Receivable-Net (141-144)	172,876		172,876
22	Accounts Receivable from Assoc. Co. (145)	20,579		20,579
23	Notes Receivable from Assoc. Co. (146)			
24	Materials and Supplies (151-153)	18,041		18,041
25	Stores Expense (161)			
26	Prepayments-Other (162)	29,271		29,271
27	Prepaid Taxes (163)	19,767		19,767
28	Interest and Dividends Receivable (171)			
29	Rents Receivable (172)			
30	Accrued Utility Revenues (173)			
31	Misc. Current and Accrued Assets (174)			
32	Total Current and Accrued Assets	\$ 350,396	\$ (7,651)	\$ 342,745
<b>DEFERRED DEBITS</b>				
32	Unamortized Debt Discount & Expense (181)	19,550		19,550
33	Extraordinary Property Losses (182)			
34	Prelim. Survey & Investigation Charges (183)			
35	Clearing Accounts (184)			
36	Temporary Facilities (185)			
37	Miscellaneous Deferred Debits (186)	164,415		164,415
38	Research & Development Expenditures (187)			
39	Accumulated Deferred Income Taxes (190)			
40	Total Deferred Debits	\$ 183,965	\$ -	\$ 183,965
<b>TOTAL ASSETS AND OTHER DEBITS</b>		\$ 5,015,603	\$ 30,571	\$ 5,046,174

## 2019 Financing with Ford Motor Credit 1 Vehicle

## Balance Sheet

## Equity Capital and Liabilities

Line No. (a)	Account Title (Number) (b)	2018 Actual Year End Balance (c)	Adjustments (f)	2018 Proformed Year End Balance (g)
<b>EQUITY CAPITAL</b>				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,426,322		1,426,322
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	4		4
10	Retained Earnings (214-215)	1,528,307	1,121	1,529,428
12	Total Equity Capital	\$ 2,964,633	\$ 1,121	\$ 2,965,754
<b>LONG TERM DEBT</b>				
13	Bonds (221)	911,371		911,371
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	135,955	29,450	165,405
17	Total Long-Term Debt	\$ 1,047,326	\$ 29,450	\$ 1,076,776
<b>CURRENT AND ACCRUED LIABILITIES</b>				
18	Accounts Payable (231)	100,788		100,788
19	Notes Payable (232)	12,125		12,125
20	Accounts Payable to Associated Co. (233)			
21	Notes Payable to Associated Co. (234)			
22	Customer Deposits (235)			
23	Accrued Taxes (236)	(21,680)		(21,680)
24	Accrued Interest (237)			
25	Accrued Dividends (238)			
26	Matured Long-Term Debt (239)			
27	Matured Interest (240)			
28	Misc. Current and Accrued Liabilities (241)	5,625		5,625
29	Total Current and Accrued Liabilities	\$ 96,858	\$ -	\$ 96,858
<b>DEFERRED CREDITS</b>				
30	Unamortized Premium on Debt (251)			
31	Advances for Construction (252)			
32	Other Deferred Credits (253)			
33	Accumulated Deferred Investment Tax Credits (255)			
34	<b>Accumulated Deferred Income Taxes:</b>			
35	Accelerated Amortization (281)			
36	Liberalized Depreciation (282)	330,000		330,000
37	Deferred Income Tax-Other (283)			-
38	Total Deferred Credits	\$ 330,000	\$ -	\$ 330,000
<b>OPERATING RESERVES</b>				
39	Property Insurance Reserve (261)			
40	Injuries and Damages Reserve (262)			
41	Pensions and Benefits Reserves (263)			
42	Miscellaneous Operating Reserves (265)			
43	Total Operating Reserves			
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>				
44	Contributions In Aid of Construction (271)	899,678		899,678
45	Accumulated Amortization of C.I.A.C. (272)	(322,892)		(322,892)
46	Total Net C.I.A.C.	\$ 576,786	\$ -	\$ 576,786
46	<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>	\$ 5,015,603	\$ 30,571	\$ 5,046,174

## Statement of Income as of December 31, 2018

Line No. (a)	Account Title (Number) (b)	2018 Actual End Balance (c)	Adjustments (e)	YTD Balance (f)
	<b>UTILITY OPERATING INCOME</b>			
1	Operating Revenues(400)	\$ 1,602,148	\$ -	\$ 1,602,148
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	896,800		896,800
4	Depreciation Expense (403)	227,791	4,247	232,038
5	Amortization of Contribution in Aid of Construction (405)	(17,535)		(17,535)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(7,215)		(7,215)
7	Amortization Expense-Other (407)	-		-
8	Taxes Other Than Income (408.1-408.13)	93,360		93,360
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	149,146		149,146
10	<b>Total Operating Expenses</b>	\$ 1,342,347	\$ 4,247	\$ 1,346,594
11	Net Operating Income (Loss)	259,801	(4,247)	255,554
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	<b>Net Water Utility Operating Income</b>	\$ 259,801	\$ (4,247)	\$ 255,554
	<b>OTHER INCOME AND DEDUCTIONS</b>			
15	Revenues From Merchandising, Jobbing and Contract Work (415)	15,125		15,125
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)	10,204		10,204
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			
21	Gains (Losses) From Disposition (414) Nonutility Property (422)		6,000	
22	Miscellaneous Nonutility Expenses (426)	(2,611)		(2,611)
23	<b>Total Other Income and Deductions</b>	\$ 22,718	\$ 6,000	\$ 16,718
	<b>TAXES APPLICABLE TO OTHER INCOME</b>			
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	<b>Total Taxes Applicable To Other Income</b>			
	<b>INTEREST EXPENSE</b>			
27	Interest Expense (427)	59,826	(632)	59,194
28	Amortization of Debt Discount & Expense (428)	1,382		1,382
29	Amortization of Premium on Debt (429)			
30	<b>Total Interest Expense</b>	\$ 61,208	\$ (632)	\$ 60,576
31	<b>Income Before Extraordinary Items</b>	221,311		211,696
	<b>EXTRAORDINARY ITEMS</b>			
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	<b>Net Extraordinary Items</b>			
	<b>NET INCOME (LOSS)</b>	\$ 221,311	\$ 1,121	\$ 211,696

## 2019 Financing with Ford Motor Credit 1 Vehicle

## Capital Structure

Line No. (a)	Account Title (Number) (b)	Actual 12/13/2018 (c)	Proforma Adjustments (d)	Proformed 12/31/2018 (e)
<b>EQUITY CAPITAL</b>				
1	Common Stock Issued (201)	\$ 10,000		\$ 10,000
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	1,426,322		1,426,322
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	4		4
10	Retained Earnings (214-215)	1,528,307	1,121	1,529,428
12	Total Equity Capital	\$ 2,964,633	\$ 1,121	\$ 2,965,754
<b>LONG TERM DEBT</b>				
13	Bonds (221)	911,371		911,371
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	135,955	29,450	165,405
17	Total Long-Term Debt	\$ 1,047,326	\$ 29,450	\$ 1,076,776
	<b>Total Capitalization</b>	\$ 4,011,959	\$ 30,571	\$ 4,042,530

## Capitalization Ratios

Line No.	Account Title (Number) (a)	12/31/2018	Proforma Adjustments	Proformed 12/31/2018
<b>EQUITY CAPITAL</b>				
1	Common Stock Issued (201)	0.25%		0.25%
2	Preferred Stock Issued (204)			
3	Capital Stock Subscribed (202,205)			
4	Stock Liability for Conversion (203, 206)			
5	Premium on Capital Stock (207)			
6	Installments Received On Capital Stock (208)			
7	Other Paid-In Capital (209,211)	35.55%		35.28%
8	Discount on Capital Stock (212)			
9	Capital Stock Expense(213)	0.00%		0.00%
10	Retained Earnings (214-215)	38.09%	3.67%	37.83%
12	Total Equity Capital	73.89%	3.67%	73.36%
<b>LONG TERM DEBT</b>				
13	Bonds (221)	22.72%		22.54%
14	Reacquired Bonds (222)			
15	Advances from Associated Companies (223)			
16	Other Long-Term Debt (224)	3.39%	96.33%	4.09%
17	Total Long-Term Debt	26.11%	96.33%	26.64%
	<b>Total Capitalization</b>	100.00%	100.00%	100.00%

	A	B	C	D	E	F	G	H	I	J
1	<b>Lakes Region Water Company</b>								<b>Revised Exhibit 4</b>	
2										
3	<b>2019 Financing with Ford Motor Credit 1 Vehicle</b>									
4										Impact
5		<b>Journal Entries</b>						<b>DR</b>	<b>CR</b>	<b>on NI</b>
6										
7			2018 Net Income							\$221,311
8										
12										
13	JE#1	131	Cash					36,469		
14		224	Other Long Term Debt - Ford Motor Credit						36,469	
16		<b>To record receipt of cash and new LTD</b>								
17										
18	JE#2	341	Transportation Equip	2019 F150				42,469		
21		131	Cash						42,469	
22		<b>To record purchase of 1 Vehicle</b>								
23										
24	JE#3	131	Cash					6,000		
25		108	Accumulated Depreciation					34,803		
26		341	Transportation Equip	2014 F150					34,803	
31		414	Gains (Losses) from Disposition of Utility Property						6,000	6,000
32		<b>To record retirement of 2014 F150 Vehicle</b>								
36										
37	JE#4	403	Depreciation Expense					4,247		(4,247)
38		108	Accumulated Depreciation						4,247	
39		<b>To record 1st year depreciation on 1 vehicle</b>								
40										
45	JE#5	224.02	Other LTD					7,019		
46		427	Interest Expense					632		(632)
47		131	Cash						7,651	
48		<b>To record 1st year principal and interest under new LTD</b>								
53										
54		<b>Total Impact on Net Income</b>								1,121
55										
56		Impact on Cash						42,469	50,120	
57		Net impact on cash							(7,651)	



**2019 Financing with Ford Motor Credit 1 Vehicle**
**Preliminary Calculation of Revenue Requirement**

## Plant Additions/Retirements:

Plant Additions		2019 F150	Total
341	Transportation Equipment	42,469	42,469
	Less: Accumulated Depreciation	(4,247)	(4,247)
	<b>TOTAL</b>	<b>\$ 38,222</b>	<b>\$ 38,222</b>

Plant Retirements <u>(To be removed from Plant)</u>		2014 F150	Total
341	Transportation Equipment	\$ (40,803)	\$ (40,803)
	Accumulated Depreciation	40,803	40,803
	<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>

Net Plant	<b>\$ 38,222</b>	<b>\$ 38,222</b>
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Plus: Working Capital	-	-
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Total Additional Rate Base	<b>\$ 38,222</b>	<b>\$ 38,222</b>
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Rate of Return	<b>2.58%</b>	<b>2.58%</b>
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Additional Net Operating Income Required	<b>\$ 985</b>	<b>\$ 985</b>
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Increase in Depreciation Expense	<b>\$ 8,494</b>	<b>\$ 8,494</b>
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Total Increase in Operating Expenses	<b>\$ 8,494</b>	<b>\$ 8,494</b>
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Increase in Revenue Required	<b>\$ 9,478</b>	<b>\$ 9,478</b>
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2018 Operating Revenues		<b>1,602,148</b>
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Percentage Increase Required		<b>0.59%</b>
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## Lakes Region Water Company

Revised Exhibit 6

### 2019 Financing with Ford Motor Credit 1 Vehicle

#### Weighted Average Cost of Capital for 2019 F150

<u>Financing</u>	<u>Amount</u>	<u>%</u>	<u>Interest Rate</u>	<u>Interest Expense</u>	<u>Amortization of Fin Costs</u>	<u>Total Interest</u>	<u>Cost Rate</u>	<u>Weighted Average Cost</u>
Ford Motor Credit	\$ 36,469	85.87%	1.90%	\$ 632	\$ -	\$ 632	1.73%	1.49%
Cash (a)	\$ 6,000	14.13%					7.70%	1.09%
Total	\$ 42,469	100.00%	1.90%	\$ 632	\$ -	\$ 632		2.58%

(a) At Company's Last Approved Weighted Average Cost of Capital in DW 15-209

**2019 Financing with Ford Motor Credit 1 Vehicle**

**Plant / Accumulated Depreciation / Depreciation Expense**

<u>PUC</u> <u>Acct. No.</u>	<u>Description</u>	<u>Cost</u>	<u>Depr.</u> <u>Rate</u>	<u>Annual</u> <u>Cost</u>	<u>Accum</u> <u>Depr.</u>
<u>2019 F150</u>					
341	Transportation - 2019 F150	\$ 42,469	20.00%	\$ 8,494	\$ 4,247
	Total	<u>\$ 42,469</u>		<u>\$ 8,494</u>	<u>\$ 4,247</u>

## Lakes Region Water Company

Revised Exhibit 8

### 2019 Financing with Ford Motor Credit 1 Vehicle

Total Costs of Vehicle	\$ 42,469
------------------------	-----------

#### Source of Funds:

Ford Credit	\$ 36,469
Cash	\$ 6,000
Total Source of Funds	<u>\$ 42,469</u>

#### Use of Funds:

2019 F150	\$ 42,469
Total Use of Funds	<u>\$ 42,469</u>

# LAKES REGION WATER COMPANY INC.

420 Governor Wentworth Highway, PO Box 389  
Moultonborough, NH 03254  
Telephone: 603-476-2348, Fax: 603-476-2721  
Hours: Monday through Friday, 8:30am to 4:30pm

October 3, 2019, 2019

Debra A. Howland  
Executive Director and Secretary  
Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, N. H. 03301-2429

Re: Docket # DW 19-155  
Lakes Region Water Company  
Petition for Approval of Long-Term Debt  
Revised Schedule 2

Dear Ms. Howland:

Attached please find a revised Schedule 2. The revisions done to Schedule 2 do not result in any amendments to the Company's original responses to the data request themselves.

If you, the Staff and/or the Commissioners have any questions or comments, or need additional information, please contact me directly at (603) 476-2348.

Sincerely,  
*Leah Valladares*  
Leah Valladares  
Utility Manager

CC: Tom Mason  
Discovery List via Email

## Statement of Income as of December 31, 2018

Line No. (a)	Account Title (Number) (b)	2018 Actual End Balance (c)	Adjustments (e)	YTD Balance (f)
	<b>UTILITY OPERATING INCOME</b>			
1	Operating Revenues(400)	\$ 1,602,148	\$ -	\$ 1,602,148
2	Operating Expenses:			
3	Operating and Maintenance Expense (401)	896,800		896,800
4	Depreciation Expense (403)	227,791	4,247	232,038
5	Amortization of Contribution in Aid of Construction (405)	(17,535)		(17,535)
6	Amortization of Utility Plant Acquisition Adjustment (406)	(7,215)		(7,215)
7	Amortization Expense-Other (407)	-		-
8	Taxes Other Than Income (408.1-408.13)	93,360		93,360
9	Income Taxes (409.1, 410.1, 411.1, 412.1)	149,146		149,146
10	<b>Total Operating Expenses</b>	\$ 1,342,347	\$ 4,247	\$ 1,346,594
11	Net Operating Income (Loss)	259,801	(4,247)	255,554
12	Income From Utility Plant Leased to Others (413)			
13	Gains(Losses) From Disposition of Utility Property (414)			
14	<b>Net Water Utility Operating Income</b>	\$ 259,801	\$ (4,247)	\$ 255,554
	<b>OTHER INCOME AND DEDUCTIONS</b>			
15	Revenues From Merchandising, Jobbing and Contract Work (415)	15,125		15,125
16	Costs and Expenses of Merchandising, Jobbing and Contract Work (416)			
17	Equity in Earnings of Subsidiary Companies (418)			
18	Interest and Dividend Income (419)	10,204		10,204
19	Allow. for funds Used During Construction (420)			
20	Nonutility Income (421)			
21	Gains (Losses) From Disposition (414) Nonutility Property (422)		6,000	6,000
22	Miscellaneous Nonutility Expenses (426)	(2,611)		(2,611)
23	<b>Total Other Income and Deductions</b>	\$ 22,718	\$ 6,000	\$ 28,718
	<b>TAXES APPLICABLE TO OTHER INCOME</b>			
24	Taxes Other Than Income (408.2)			
25	Income Taxes (409.2, 410.2, 411.2, 412.2, 412.3)			
26	<b>Total Taxes Applicable To Other Income</b>			
	<b>INTEREST EXPENSE</b>			
27	Interest Expense (427)	59,826	632	60,458
28	Amortization of Debt Discount & Expense (428)	1,382	-	1,382
29	Amortization of Premium on Debt (429)			
30	<b>Total Interest Expense</b>	\$ 61,208	\$ 632	\$ 61,840
31	<b>Income Before Extraordinary Items</b>	221,311		222,432
	<b>EXTRAORDINARY ITEMS</b>			
32	Extraordinary Income (433)			
33	Extraordinary Deductions (434)			
34	Income Taxes, Extraordinary Items (409.3)			
35	<b>Net Extraordinary Items</b>			
	<b>NET INCOME (LOSS)</b>	\$ 221,311	\$ 1,121	\$ 222,432

# LAKE REGION WATER COMPANY INC.

420 Governor Wentworth Highway, PO Box 389  
Moultonborough, NH 03254  
Telephone: 603-476-2348, Fax: 603-476-2721  
Hours: Monday through Friday, 8:30am to 4:30pm

October 8, 2019

Debra A. Howland  
Executive Director and Secretary  
Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, N. H. 03301-2429

Re: Docket # DW 19-155  
Lakes Region Water Company  
Petition for Approval of Long-Term Debt  
Staff Set 2 Data Request

Dear Ms. Howland:

Attached please find the Company's responses to Staff Set 2 Data Request for Docket # DW 19-155, Petition for Approval of Long-Term Debt.

If you, the Staff and/or the Commissioners have any questions or comments, or need additional information, please contact me directly at (603) 476-2348.

Sincerely,  
*Leah Valladares*  
Leah Valladares  
Utility Manager

CC: Tom Mason  
Discovery List via Email

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 2

Data Request Received: 10/08/2019  
Request No. Staff 2-1

Date of Response: 10/08/2019  
Witness: Leah Valladares

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**REQUEST:** Reference: Leah Valladares Direct Testimony, Page 2 states, "The Company plans to sell the 2014 Ford F150 and apply the proceeds toward the purchase of the new vehicle." It appears from Revised Exhibit 4 that the anticipated selling price of the 2014 Ford F150 will be \$6,000.

- a) Please show the derivation of the anticipated sales price of \$6,000. Is this based only on the dealer's offer for a trade-in value? What would a truck of similar age and condition sell for in the retail market? Please provide supporting documentation, if available.
- b) Is the anticipated buyer either a related or affiliated party to Lakes Region, its shareholder, or any of its employees?
- c) If the anticipated sale of the 2014 vehicle does not occur, how does the Company intend to finance the remaining \$6,000 cost of the new vehicle?

**RESPONSE:**

- a) The Sale Manager of Plymouth Ford examined the 2014 Ford F150 for trade in purposes. Please see attached Exhibit Staff 2-1. According to Kelly Blue book Private Party Range of a truck of similar age and condition could potentially sell from \$9,004-\$11,267. See attached Exhibit Staff 2-1,A
- b) No, the anticipated buyer is neither related or affiliated party to Lakes Region, its shareholder, any of its employees.
- c) In the event the sale does not occur the Company will trade-in the 2014 F150 to Plymouth Ford.



**From:** Plymouth Ford  
**To:** Leah Valladares  
**Subject:** BUILD WEEK FOR NEW F150  
**Date:** Tuesday, September 03, 2019 11:18:55 AM

---

Hi Leah,

I have great news, your order has been submitted and serialized, and as of today, the status shows a 'build' week of Oct. 28. This also can change but should be pretty accurate. The (vin) serial # is **1FTFW1E44KKF33101**

My sales manager looked at your truck that Samantha brought by, he feels its worth \$6000, we realize it will have more miles put on by the time this new truck arrives, so weve allowed for that with the \$6000 ACV (actual cash value)

If you need something on paper, I can send you a revised worksheet, at any rate, we will need a purchase and sales agreement signed at some point.

THANK YOU AGAIN

RUTH STEPHENSON  
Commercial Sales  
Sales and Leasing Consultant


PLYMOUTH FORD  
HOME OF THE 200K/20 YEAR COMPLIMENTARY POWERTRAIN WARRANTY  
14 Town West Road  
Plymouth NH 03264  
603-536-4521

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ruthstephenson@plymouthford.com



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## 2014 Ford F150 Super Cab Pricing Report



**Style:** XL Pickup 4D 6 1/2 ft  
**Mileage:** 146,034

### Sell To Private Party

Private Party Range  
**\$9,004 - \$11,267**  
Private Party Value  
**\$10,136**



### Vehicle Highlights

**Fuel Economy:**  
City 16/Hwy 21/Comb 18 MPG

**Max Seating:** 6

**Doors:** 4

**Engine:** V6, Flex Fuel, 3.7 Liter

**Drivetrain:** 4WD

**Transmission:** Automatic, 6-Spd

**EPA Class:** Standard Pickup Trucks

**Body Style:** Pickup

**Country of Origin:** United States

**Country of Assembly:** United States

Valid for ZIP Code 03254 through 10/08/2019

### Your Configured Options

Our pre-selected options, based on typical equipment for this car.

✓ Options that you added while configuring this car.

#### Engine

✓ V6, Flex Fuel, 3.7 Liter

#### Transmission

Automatic, 6-Spd

#### Drivetrain

✓ 4WD

#### Braking and Traction

ABS (4-Wheel)

#### Comfort and Convenience

Air Conditioning

#### Steering

Power Steering

Tilt Wheel

#### Entertainment and Instrumentation

AM/FM Stereo

#### Safety and Security

Dual Air Bags

Side Air Bags

Head Curtain Air Bags

#### Wheels and Tires

Steel Wheels

#### Exterior Color

✓ Black

### Glossary of Terms

**Kelley Blue Book® Trade-in Value** - This is the amount you can expect to receive when you trade in your car to a dealer. This value is determined based on the style, condition, mileage and options indicated.

**Trade-In Range** - The Trade-In Range is Kelley Blue Book's estimate of what you can reasonably expect to receive this week based on the style, condition, mileage and options of your vehicle when you trade it in to a dealer. However, every dealer is different and values are not guaranteed.

#### Tip:

It's crucial to know your car's true condition when you sell it, so that you can price it appropriately. Consider having your mechanic give you an objective report.

**Kelley Blue Book® Private Party Value** - This is the starting point for negotiation of a used-car sale between a private buyer and seller. This is an "as is" value that does not include any warranties. The final price depends on the car's actual condition and local market factors.

**Private Party Range** - The Private Party Range is Kelley Blue Book's estimate of what you can reasonably expect to receive this week for a vehicle with stated mileage in the selected condition and configured with your selected options, excluding taxes, title and fees when selling to a private party.

**Excellent Condition** - 3% of all cars we value. This car looks new and is in excellent mechanical condition. It has never had paint or bodywork and has an interior and body free of wear and visible defects. The car is rust-free and does not need reconditioning. Its clean engine compartment is free of fluid leaks. It also has a clean title history, has complete and verifiable service records and will pass safety and smog inspection.

**Very Good Condition** - 23% of all cars we value. This car has minor wear or visible defects on the body and interior but is in excellent mechanical condition, requiring only minimal reconditioning. It has little to no paint and bodywork and is free of rust. Its clean engine compartment is free of fluid leaks. The tires match and have 75% or more of tread. It also has a clean title history, with most service records available, and will pass safety and smog inspection.

**Good Condition** - 54% of all cars we value. This car is free of major mechanical problems but may need some reconditioning. Its paint and bodywork may require minor touch-ups, with repairable cosmetic defects, and its engine compartment may have minor leaks. There are minor body scratches or dings and minor interior blemishes, but no rust. The tires match and have 50% or more of tread. It also has a clean title history, with some service records available, and will pass safety and smog inspection.

**Fair Condition** - 18% of all cars we value. This car has some mechanical or cosmetic defects and needs servicing, but is still in safe running condition and has a clean title history. The paint, body and/or interior may need professional servicing. The tires may need replacing and there may be some repairable rust damage.

© 2019 Kelley Blue Book Co., Inc. All rights reserved. 10/4/2019-10/10/2019 Edition for New Hampshire 03254. The specific information required to determine the value for this particular vehicle was supplied by the person generating this report. Vehicle valuations are opinions and may vary from vehicle to vehicle. Actual valuations will vary based upon market conditions, specifications, vehicle condition or other particular circumstances pertinent to this particular vehicle or the transaction or the parties to the transaction. This report is intended for the individual use of the person generating this report only and shall not be sold or transmitted to another party. Kelley Blue Book assumes no responsibility for errors or omissions. (v.19101)

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 2

Data Request Received:10/08/2019  
Request No. Staff 2-2

Date of Response:10/08/2019  
Witness: Leah Valladares

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**REQUEST:** Reference: Leah Valladares Direct Testimony p. 2, p. 4. Replacing a truck with high mileage may be reasonable in and of itself, and may avoid potentially expensive vehicle maintenance and repairs. Notwithstanding that general context, have maintenance and repairs for the 2014 Ford F150 exceeded a reasonable cost in the past two years, or are there specific reasons to anticipate significant repair costs in the next two years? What is the condition of the 2014 truck: excellent, good, fair or poor? Does it have a gas or diesel engine? Did the Company consider purchasing an electric vehicle?

**RESPONSE:** In DW 16-427, order # 25,895 the Commission approved a similar petition for long term debt for the replacement of a Company vehicle with high mileage in order to ensure dependable service to its customers. The 2014 Ford F150 has not exceeded reasonable repairs and maintenance in the last two years. This 2014 truck averages 30,000 miles a year and has a 5-year depreciation life. Due to the age and anticipated mileage the Company feels it would be prudent to replace the 2014 truck to avoid any significant repair costs and down time in the next two years. Thus, continuing to provide dependable service to its customers. The 2014 truck is in good condition and has a gas engine. Due to the nature of our business the Company did not consider purchasing an electric truck.

LAKES REGION WATER COMPANY, INC.  
DW 19-155  
PETITION FOR APPROVAL OF LONG-TERM DEBT  
STAFF DATA REQUEST- SET 2

Data Request Received: 10/08/2019  
Request No. Staff 2-3

Date of Response: 10/08/2019  
Witness: Leah Valladares

---

**REQUEST:** Reference: LRWC response to Staff 1-2. Does the Company intend (or has it already) purchased accessories for the new truck the financing of which is at issue? What are the accessories and how much did they cost? Has the Company already paid for them, or are the accessories included in the purchase price? Why are the accessories necessary or otherwise useful and reasonable?

**RESPONSE:** No, the Company does not, at this time, intend on purchasing accessories for the new truck. The new truck is equipped with accessories included in the purchase price, such as a bed liner and running boards.

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