

Douglas W. Brogan, P.E. Report to DOE

MEMO REPORT

Date: March 22, 2023

From: Douglas W. Brogan, P.E.**To:** Jayson Laflamme, Asst. Director - Water Group, Regulatory Support Div., NH Dept. of Energy**Re:** DW 22-087 Lakes Region Water Company, Inc.
Petition for Approval of Long-Term Financing

I am writing this memo report as an engineering consultant to the Water Group, Regulatory Support Division to summarize my findings in the above-referenced docket, which is a financing request by Lakes Region Water Company (Lakes Region or company) to fund additional supply for its Paradise Shores water system in Moultonborough. Paradise Shores is the largest of the company's 19 systems, serving 421 retail customers in the Balmoral development, plus a single wholesale customer (Property Owners Association at Suissevale, Inc.) that in turn serves an additional 400 residential customers in the adjacent Suissevale development. My review is limited primarily to the engineering and operational aspects of the proposal, and is based on review of the company's filing and discovery responses and participation in a March 2, 2023 technical session. The purpose of this report is not to provide a final prudence review of the project, but a review of reasonableness for the purposes of the proposed financing.

The project itself involves drilling of up to four additional wells, along with construction of an associated pump/meter station and access road, at a total cost of \$862,080. While the cost of the project is significant, the need for more water is supported by the following:

- 1) A December 15, 2021 NH Department of Environmental Services sanitary survey report (Attachment A to testimony of Thomas A. Mason) included a number of comments in support of the need to increase available supply. For example, the author stated, "We commend [Paradise Shores] in looking for another well site for additional supply. This is a critical effort to maintain a sufficient supply of drinking water for your customers" (report p. 4).
- 2) In spite of past efforts to deepen or hydrofracture wells to recover lost yield, well production has declined over time.
- 3) The company trucked in 396,000 gallons (66 truckloads) of water last summer in order to meet system demand.
- 4) Review of detailed production and consumption figures provided in discovery confirms that system demands are seasonal in nature, with the highest uses occurring during the summer months. Usage is especially high over the peak holiday weekends of Memorial Day, 4th of July and Labor Day, when demand can far outstrip available supply.

- 5) In spite of ongoing efforts at leak detection and repair, the company has felt the need to implement full outdoor summer water use prohibitions in recent years.
- 6) A 325,000 gallon tank constructed in 2008 appears to provide ample storage for the system.

The company engaged Nobis Group (Nobis) in early 2022 for hydrogeological services to find potential new well sites, focusing on a 141 acre undeveloped parcel the company owns adjacent to the water system. Efforts performed by Nobis to date have included review of existing mapping, geology, wetlands, contamination threats, setback requirements, and site accessibility, as well as delineation of photolineaments and performance of magnetic and very low frequency electromagnetic geophysical surveys. These efforts resulted in selection of four potential well sites. Wells have been drilled at two of the sites, and may be drilled at the remaining two this spring. The company hopes to have additional supply in place and sufficiently permitted to help in time for the upcoming summer season.

Water supply has been a continuing concern over the years in the Paradise Shores system. Additional water would help alleviate those concerns in the long term. In this regard I believe the company's request for financing for this project is reasonable.

Selected Lakes Region Data Responses to DOE Sets 1-3

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 1

Date Received: 01/20/23
Request No. DOE 1-3

Date of Response: 01/30/23
Witness: Leah Valladares

REQUEST:

Please describe the nature and extent of the Company's previous communications with CoBank about the proposed financing. Please provide copies of all pertinent documentation.

RESPONSE:

The Company sent an email request to Cobank on October 12, 2022 which briefly described the project, its expected and financing. Please see attached email correspondence.

DOE 1-3 Attachement A

From: [Ervin, Bryan](#)
To: [Leah Valladares](#)
Subject: RE: Loan?
Date: Wednesday, October 12, 2022 11:09:29 AM

I can provide a term sheet in a few days. A commitment letter requires full loan approval which would be awhile.

FYI - the interest rate on a 20 yr loan is going to be in the 6.75% range in the current environment. They've gone up a lot.

Bryan Ervin
CoBank
303-740-4377

From: Leah Valladares <leah@lakesregionwater.com>
Sent: Wednesday, October 12, 2022 8:59 AM
To: Ervin, Bryan <ERVINB@cobank.com>
Subject: RE: Loan?

EXTERNAL EMAIL

A commitment letter from Cobank would be great with an interest rate. (I will need this for PUC approval)
Most likely will need funds in Q1 2023.

Yes the project will be in rate base.

Leah Valladares | Utility Manager
Lakes Region Water Co, Inc.
420 Gov. Wentworth Highway | PO Box 389
Moultonborough, NH 03254
Direct # (603) 707-0644
(O) 603.476.2348 x103

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 1

Date Received: 01/20/23
Request No. DOE 1-5

Date of Response: 01/30/23
Witness: Leah Valladares

REQUEST:

If Lakes Region’s relationship and loans with CoBank are governed by existing loan documents approved by the Commission in prior proceedings, please provide copies of all pertinent documents and identify all requirements that are currently in effect.

OBJECTION: This request is overbroad and unduly burdensome in that it requests that Lakes Region “identify all requirements” in each and every loan document between Lakes Region and CoBank. There are multiple requirements in each loan document which are too numerous and detailed as to allow each such requirement to be identified in each document, including but not limited to the following:

- The Master Loan Agreement No. RI1230 dated as of June 16, 2014;¹
- The Real Estate Mortgage and Security Agreement, dated as of June 6, 2014, and recorded in the Carroll County Registry of Deeds at Book 3156, Page 075, subsequently amended by the Partial Release dated May 12, 2015 and recorded at Book 3203, Page 0643 (the "Mortgage");²
- The Multiple Advance Term Supplement No. RI1230T04 dated as of November 8, 2016 and the Multiple Advance Term Supplement No. RI1230T05 dated as of January 26, 2017 (hereinafter referred to as the “Supplements”);³
- The January 26, 2017 Amendment to the above June 6, 2014 Mortgage recorded in the Carroll County Registry of Deeds at Book 3333, Page 0752 (“Mortgage Amendment”);⁴
- The Instruction Letter dated March 11, 2021;⁵
- The Credit Agreement No. 00086205SLA dated as of March 11, 2021;⁶
- The Amended and Restated Revolving Credit Promissory Note No. 00086205S01 dated as of March 11, 2021, in the principal amount of \$50,000.00;⁷
- The Amended and Restated Single Advance Term Promissory Note No. 00086205T01 dated as of March 11, 2021, in the original principal amount of \$500,000.00, with a remaining principal amount of \$282,765.15;⁸

¹ Approved in DW 13-335.

² Approved in DW 13-335.

³ Approved in DW 16-854.

⁴ Approved in DW 16-854.

⁵ Approved in DW 19-135.

⁶ Approved in DW 19-135.

⁷ Approved in DW 19-135.

DOE 1-5 Attachment B

Loan No. RI1230

MASTER LOAN AGREEMENT

THIS MASTER LOAN AGREEMENT (this "Agreement") is entered into as of June 16, 2014 between **LAKES REGION WATER CO., INC., Moultonboro, New Hampshire**, a New Hampshire corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

BACKGROUND

From time to time, the Company may borrow from CoBank. In order to reduce the amount of paperwork associated therewith, CoBank and the Company would like to enter into a master loan agreement. Such is the purpose of this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and CoBank agree as follows:

SECTION 1. Note and Supplements. In the event the Company desires to borrow from CoBank and CoBank is willing to lend to the Company, or in the event the parties desire to consolidate any existing loans hereunder, the parties will enter into a Promissory Note and Supplement to this Agreement (a "Note and Supplement"). Each Note and Supplement will set forth CoBank's commitment to make a loan or loans to the Company, the amount of the loan(s), the purpose of the loan(s), the interest rate or rate options applicable to the loan(s), the repayment terms of the loan(s), and any other terms and conditions applicable to the particular loan(s). Each Note and Supplement will also contain a promissory note of the Company setting forth the Company's obligation to make payments of interest on the unpaid principal balance of the loan(s), and fees and premiums, if any, and to repay the principal balance of the loan(s). Each loan will be governed by the terms and conditions contained in this Agreement and in the Note and Supplement relating to that loan.

SECTION 2. Notice and Manner of Borrowing. Loans will be made available on any day on which CoBank and the Federal Reserve Banks are open for business (a "Business Day") upon the telephonic or written request of an authorized employee of the Company. Requests for loans must be received by 12:00 noon Company's local time on the date the loan is desired. Loans will be made available by wire transfer of immediately available funds. Wire transfers will be made to such account or accounts as may be authorized by the Company.

SECTION 3. Payments. Payments under each Note and Supplement shall be made by wire transfer of immediately available funds, by check or by automated clearing house (ACH) or other similar cash handling processes as specified by separate agreement between the Company and CoBank. Wire transfers shall be made to ABA No. 307088754 for advice to and credit of "CoBANK" (or to such other account as CoBank may direct by notice). The Company shall give CoBank telephonic notice no later than 12:00 noon Company's local time of its intent to pay by wire, and funds received after 3:00 p.m. Company's local time shall be credited on the next Business Day. Checks shall be mailed to CoBANK, Department 167, Denver, Colorado 80291-0167 (or to such other place as CoBank may direct by notice). Credit for payment by check will not be given until the later of the next Business Day after receipt of the check or the day on which CoBank receives immediately available funds.

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-2-

SECTION 4. Security, Guarantee(s) and Title Insurance.

Company Security. The Company's obligations under this Agreement and each Note and Supplement shall be secured by a statutory first lien on all equity that the Company may now own or hereafter acquire or be allocated in CoBank. In addition, except as otherwise provided in a Note and Supplement, the Company's obligations hereunder and under each Note and Supplement, shall be secured by a first priority lien (subject only to exceptions approved in writing by CoBank) on all real property of the Company determined by CoBank to be primary property, and all personal property of the Company, whether now existing or hereafter acquired. The Company agrees to take such steps, including the execution and recordation and filing of mortgages, deeds of trust, security agreements, financing statements, and amendments to any of the foregoing, and such other instruments and documents, as CoBank may require to enable CoBank to obtain, perfect, and maintain a lien on such property, and the payment of any applicable mortgage recording tax and documentary stamp taxes.

SECTION 5. Conditions Precedent.

(A) Conditions to Initial Note and Supplement. CoBank's obligation to extend credit under the initial Note and Supplement hereto is subject to the condition precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(1) This Agreement. A duly executed original copy of this Agreement and all instruments and documents contemplated hereby.

(2) Delegation Form. A duly completed and executed original copy of a CoBank Delegation and Wire and Electronic Transfer Authorization Form.

(3) Environmental Condition. Such evidence as CoBank shall require that the Company and its properties are in material compliance with all applicable laws, codes, rules, regulations, orders, permits and the like (collectively, "Laws") relating to environmental protection.

(4) Security, Guarantee(s) and Title Insurance. (a) A duly executed copy of each security document and/or guarantee required by Section 4 of this Agreement, (b) such evidence as CoBank shall require that all steps required by CoBank to enable CoBank to obtain and perfect its lien on the security have been taken and that such lien has the priority contemplated by this Agreement, and (c) any title insurance commitment or title opinion required by Section 4 of this Agreement.

(B) Conditions to Each Note and Supplement. CoBank's obligations to extend credit under each Note and Supplement hereto, including the initial Note and Supplement, is subject to the condition precedent that CoBank receive, in form and substance satisfactory to CoBank, each of the following:

(1) Note and Supplement. A duly executed original copy of the Note and Supplement and all instruments and documents contemplated by the Note and Supplement.

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-3-

(2) **Evidence of Authority.** Such certified board resolutions, certificates of incumbency, and other evidence that CoBank may require that the Note and Supplement, all instruments and documents executed in connection therewith, and, in the case of the initial Note and Supplement hereto, this Agreement and all instruments and documents executed in connection herewith, including any security documents, have been duly authorized and executed.

(3) **Consents and Approvals.** Such evidence as CoBank may require that all regulatory and other consents and approvals referred to in Section 6(D) hereof have been obtained and are in full force and effect.

(4) **Fees and Other Charges.** Any fees or other charges provided for herein or in the Note and Supplement.

(5) **Insurance.** Such evidence as CoBank may require that the Company is in compliance with Section 7(C) hereof.

(6) **Opinion of Counsel.** An opinion of counsel to the Company (which counsel must be acceptable to CoBank).

(C) **Conditions to Each Loan.** CoBank's obligation under each Note and Supplement to make any loan to the Company thereunder is subject to the condition that no "Event of Default" (as defined in Section 10 hereof) or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would ripen into an Event of Default (a "Potential Default") shall have occurred and be continuing.

SECTION 6. Representations and Warranties. The execution by the Company of each Note and Supplement hereto shall constitute a representation and warranty that:

(A) **Application.** Each representation and warranty and all information set forth in any application or other document submitted in connection with, or to induce CoBank to enter into, such Note and Supplement is correct in all material respects as of the date of such Note and Supplement. In addition, the renewal or extension by CoBank of any Note and Supplement hereto shall constitute a representation and warranty that each representation and warranty and all information concerning environmental matters related to the Company's property set forth in any application or other document submitted in connection with, or to induce CoBank to enter into any Note and Supplement, is correct in all material respects as of the date of renewal or extension of such Note and Supplement.

(B) **Budgets.** All budgets, projections, feasibility studies, and other documentation submitted by the Company to CoBank in connection with, or to induce CoBank to enter into, such Note and Supplement are based upon assumptions that are reasonable and realistic, and as of the date of such Note and Supplement, no fact has come to light, and no event has occurred, which would cause any assumption made therein to not be reasonable or realistic.

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-4-

(C) Conflicting Agreements. Neither this Agreement nor any Note and Supplement or other instrument or document securing or otherwise relating hereto or to any Note and Supplement (collectively, at any time, the "Loan Documents") conflicts with, or constitutes (with or without the giving of notice and/or the passage of time and/or the occurrence of any other condition) a default under, any other agreement to which the Company is a party or by which it or any of its property may be bound or affected, and does not conflict with any provision of its bylaws, articles of incorporation or other organizational documents.

(D) Consents and Approvals. No consent, permission, authorization, order or license of any governmental authority or of any party to any agreement to which the Company is a party or by which it or any of its property may be bound or affected, is necessary in connection with the project, acquisition or other activity being financed by such Note and Supplement, or the execution, delivery, performance or enforcement of the Loan Documents, except as have been obtained and are in full force and effect.

(E) Compliance. The Company is in compliance with all of the terms of the Loan Documents and no Event of Default or Potential Default exists.

(F) Binding Agreement. The Loan Documents create legal, valid, and binding obligations of the Company which are enforceable in accordance with their terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency or similar Laws affecting creditors' rights generally.

(G) Water Rights and/or Supplies and System Condition. The Company has water rights and/or supplies with such amounts, priorities and qualities as are necessary to service adequately the Company's customers and members. The Company controls, owns, or has access to all such water rights and/or supplies free and clear of the interest of any third party and has not suffered or permitted any transfer or encumbrance of such water rights and/or supplies, has not abandoned such water rights and/or supplies, or any of them, and has not done any act or thing which would impair or cause the loss of any such water rights and/or supplies. The Company's utility facilities reasonably meet present demand in all material respects, are constructed in a good and professional manner, are in good working order and condition, and comply in all material respects with all applicable Laws.

(H) Rate Matters. The Company's rates for the provision of water have been approved, if applicable, by any and all necessary governmental regulatory authorities, including, without limitation, each public service commission or public utilities commission which may have jurisdiction over the operations and rates of the Company. Further, there is no pending, and to the Company's knowledge, no threatened proceeding before any governmental authority, the objective or result of which is or could be to materially reduce or otherwise materially adversely change any of the Company's rates for the provision of water and/or waste water services, or otherwise have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Company.

SECTION 7. Affirmative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect, the Company agrees to:

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-5-

(A) **Corporate Existence, Etc.** Preserve and keep in full force and effect its existence and good standing in the jurisdiction of its incorporation or formation, qualify and remain qualified to transact business in all jurisdictions where such qualification is required, and obtain and maintain all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or required by Law.

(B) **Compliance With Laws.** Comply in all material respects with all applicable Laws, including, without limitation, all Laws relating to environmental protection. In addition, the Company agrees to cause all persons occupying or present on any of its properties to comply in all material respects with all Laws relating to such properties.

(C) **Insurance.** Maintain insurance with insurance companies or associations acceptable to CoBank in such amounts and covering such risks as are usually carried by companies engaged in the same business and similarly situated, and make such increases in the type or amount of coverage as CoBank may reasonably request. All such policies insuring any collateral for the Company's obligations to CoBank shall have lender or mortgagee loss payable clauses or endorsements in form and content acceptable to CoBank. At CoBank's request, the Company agrees to deliver to CoBank such proof of compliance with this Subsection as CoBank may require.

(D) **Property Maintenance.** Maintain all of its property that is necessary to or useful in the proper conduct of its business in good repair, working order, and condition, ordinary wear and tear excepted, and make all alterations, replacements, and improvements thereto as may from time to time be necessary in order to ensure that its properties remain in good working order and condition. If the Company is subject to a compliance order issued by a federal or state governmental authority, then the Company agrees that at CoBank's request, which request may not be made more than once a year, the Company will furnish to CoBank a report on the condition of the Company's property prepared by a professional engineer satisfactory to CoBank.

(E) **Books and Records.** Keep adequate records and books of account in which complete entries will be made in accordance with generally accepted accounting principles ("GAAP") consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company).

(F) **Inspection.** Permit CoBank or its agents, upon reasonable notice and during normal business hours or at such other times as the parties may agree, to examine its properties, books and records, and to discuss its affairs, finances and accounts with its officers, directors, employees, and independent certified public accountants.

(G) **Reports and Notices.** Furnish to CoBank:

(1) **Annual Financial Statements.** As soon as available, but in no event more than 120 days after the end of each fiscal year of the Company occurring during the term hereof, annual consolidated and consolidating financial statements of the Company and its consolidated subsidiaries, if any, prepared in accordance with GAAP consistently applied (or the appropriate standards of the

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-6-

regulatory agency having jurisdiction over the Company). Such financial statements at a minimum shall: (a) be compiled by independent certified public accountants selected by the Company and acceptable to CoBank; (b) be accompanied by a compilation report of such accountants acceptable to CoBank; (c) be prepared in reasonable detail and in comparative form; and (d) include a balance sheet, a statement of income, a statement of retained earnings, a statement of cash flows, and all notes and schedules relating thereto.

(2) Interim Financial Statements. Such interim financial statements as CoBank may from time to time request, which statements must be prepared on a consolidated basis in accordance with GAAP consistently applied (or the appropriate standards of the regulatory agency having jurisdiction over the Company) and, if required by written notice from CoBank, certified by an authorized officer or employee of the Company acceptable to CoBank.

(3) Notice of Default. Promptly after becoming aware thereof, notice of the occurrence of an Event of Default or a Potential Default, including, without limitation, the occurrence of any breach, default, event of default or event which, with the giving of notice and/or the passage of time and/or the occurrence of any other condition, would become a breach, default or event of default under any loan agreement, indenture, mortgage, or other credit or security agreement or instrument to which the Company is a party or by which it or any of its property may be bound or affected.

(4) Notice of Litigation, Environmental Matters, Etc. Promptly after becoming aware thereof, notice of: (a) the commencement of any action, suit or proceeding before any court, arbitrator or governmental instrumentality which, if adversely decided, could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Company; (b) the receipt of any notice, indictment, pleading or other communication alleging a condition that may require the Company to undertake or to contribute to a clean-up or other response under any environmental Law, or which seeks penalties, damages, injunctive relief, criminal sanctions or other relief as a result of an alleged violation of any such Law, or which claims personal injury or property damage as a result of environmental factors or conditions; and (c) any matter which could have a material adverse effect on the Company, including any decision of any regulatory authority or commission.

(5) Notice of Certain Events. Notice of each of the following at least 30 days prior thereto: (a) any change in the Company's name or corporate structure; and (b) any change in the principal place of business of the Company or the office where its records concerning its accounts are kept.

(6) Other Information. Such other information regarding the condition or operations, financial or otherwise, of the Company as CoBank may from time to time reasonably request, including, but not limited to, copies of all pleadings, notices and communications referred to in Subsection (G)(4) above.

(H) Capital. Acquire equity in CoBank in such amounts and at such times as CoBank may from time to time require in accordance with its Bylaws and Capital Plan (as each may be amended from time to time), except that the maximum amount of equity that the Company may be required to purchase

Master Loan Agreement RI1230
 LAKES REGION WATER CO., INC.
 Moultonboro, New Hampshire

-7-

in connection with a loan may not exceed the maximum amount permitted by the Bylaws at the time the Note and Supplement relating to such loan is entered into or such loan is renewed or refinanced by CoBank. The rights and obligations of the parties with respect to such equity and any patronage or other distributions made by CoBank shall be governed by CoBank's Bylaws and Capital Plan (as each may be amended from time to time).

(I) Water Rights and/or Supplies. Maintain or procure water rights and/or supplies with such amounts, priorities and qualities as are necessary to service adequately the Company's customers and members. The Company will continue to control, own or have access to all such water rights and/or supplies free and clear of the interest of any third party, will not suffer or permit any transfer or encumbrance of such water rights and/or supplies, will not abandon such water rights and/or supplies, or any of them, and will not do any act or thing which would impair or cause the loss of any such water rights and/or supplies.

SECTION 8. Negative Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect the Company will not:

(A) Borrowings. Create, incur, assume, or allow to exist, directly or indirectly, any indebtedness or liability for borrowed money, letters of credit, or the deferred purchase price of property or services (including leases which should be capitalized on the books of the lessee in accordance with GAAP (or the appropriate standards of the regulatory agency having jurisdiction over the Company)), except for: (1) debt to CoBank; (2) accounts payable to trade creditors incurred in the ordinary course of business; (3) current operating liabilities (other than for borrowed money) incurred in the ordinary course of business; and (4) purchase money indebtedness for equipment and inventory and capital leases in an amount not to exceed \$100,000.00 in the aggregate at any one time outstanding, and provided that such indebtedness does not exceed 100% of the purchase price of the asset(s) being acquired.

(B) Liens. Create, incur, assume, or allow to exist any mortgage, deed of trust, pledge, lien (including the lien of an attachment, judgment, or execution), security interest, or other encumbrance of any kind upon any of its property, real or personal (collectively, "Liens"). The foregoing restrictions shall not apply to: (1) Liens in favor of CoBank; (2) Liens for taxes, assessments, or governmental charges that are not past due; (3) pledges and deposits under workers' compensation, unemployment insurance, and social security Laws; (4) pledges and deposits to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), and like obligations arising in the ordinary course of business as conducted on the date hereof; (5) Liens imposed by Law in favor of mechanics, material suppliers, warehouses, and like persons that secure obligations that are not past due; (6) easements, rights-of-way, restrictions, and other similar encumbrances which, in the aggregate, do not materially interfere with the occupation, use, and enjoyment of the property or assets encumbered thereby in the normal course of business or materially impair the value of the property subject thereto; and (7) purchase money Liens on equipment and inventory and capital lease Liens to secure indebtedness permitted hereunder; provided that such Liens attach only to the asset being acquired at or about the time of acquisition as security for an amount not to exceed 100% of the asset acquisition price.

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-8-

(C) **Mergers, Acquisitions, Etc.** Merge or consolidate with any other entity or acquire all or a material part of the assets of any person or entity, or commence operations under any other name, organization, or entity, including any joint venture.

(D) **Sale of Assets.** Sell, transfer, lease, or otherwise dispose of any of its assets except for: (1) the sale or other disposition of inventory in the ordinary course of business; and (2) the sale or other disposition in the ordinary course of business of equipment no longer necessary or useful in the proper operation of the Company's business.

(E) **Loans and Investments.** Make any loan or advance to, or make any investment in, or make any capital contribution to, or purchase or make any commitment to purchase any stock, bonds, notes, or other securities of, any person or entity, except for: (1) securities or deposits issued, guaranteed or fully insured as to payment by the United States of America or any agency thereof; and (2) equity in, or obligations of, CoBank.

(F) **Contingent Liabilities.** Assume, guarantee, become liable as a surety, endorse, contingently agree to purchase, or otherwise be or become liable, directly or indirectly (including, but not limited to, by means of a maintenance agreement, an asset or stock purchase agreement, or any other agreement designed to ensure any creditor against loss), for or on account of the obligation of any person or entity, except by the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business.

(G) **Change in Business.** Engage in any business activities or operations substantially different from or unrelated to the Company's present business activities or operations.

(H) **Dividends.** Declare or pay any dividends or patronage refunds, or purchase, retire, or redeem any patronage or other capital, or make any other distribution of any kind (whether in cash or property) to its members or stockholders (collectively, "Distributions"), except that as long as no Event of Default or Potential Default exists or would result therefrom (including without limitation under Section 9 hereof), the Company may, in any fiscal year, make Distributions limited to net income.

(I) **Transactions with Affiliates.** Enter into any transaction with any affiliate except in the ordinary course of and pursuant to the reasonable requirements of its business and upon fair and reasonable terms no less favorable to it than it would obtain in a comparable arm's-length transaction with a person or entity that was not an affiliate.

SECTION 9. Financial Covenants. Unless otherwise agreed to in writing by CoBank, while this Agreement is in effect:

(A) **Debt Service Coverage Ratio.** The Company and its consolidated subsidiaries, if any, will have at the end of each fiscal year of the Company, a "Debt Service Coverage Ratio" (as defined below) for such year of not less than 1.50 to 1. For purposes hereof, the term "Debt Service Coverage Ratio" shall mean the ratio of: (1) net income (after taxes and after eliminating any gain or loss on sale of assets or other extraordinary gain or loss), plus depreciation expense, amortization expense, and

Master Loan Agreement RI1230
 LAKES REGION WATER CO., INC.
 Moultonboro, New Hampshire

-9-

interest expense, minus non-cash patronage, and non-cash income from subsidiaries and/or joint ventures; to (2) all principal payments due within the period on all "Long-Term Debt" (as defined below) plus interest expense (all as calculated on a consolidated basis for the applicable period in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company). For purposes hereof, "Long-Term Debt" shall mean, for the Company, on a consolidated basis, the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP, in each case having a maturity of more than one year from the date of its creation or having a maturity within one year from such date but that is renewable or extendible, at the Company's option, to a date more than one year from such date or that arises under a revolving credit or similar agreement that obligates the lender(s) to extend credit during a period of more than one year from such date, including all current maturities in respect of such indebtedness whether or not required to be paid within one year from the date of its creation.

(B) Debt to Capitalization Ratio. The Company and its consolidated subsidiaries, if any, will have at all times, a ratio of "Total Debt" to "Total Capitalization" (both as defined below) that is less than or equal to 0.60 to 1. For purposes hereof: (1) "Total Debt" shall mean, for the Company, on a consolidated basis, the sum of (a) all indebtedness for borrowed money, (b) obligations which are evidenced by notes, bonds, debentures or similar instruments, and (c) that portion of obligations with respect to capital leases or other capitalized agreements that are properly classified as a liability on the balance sheet in conformity with GAAP or which are treated as operating leases under regulations applicable to them but which otherwise would be required to be capitalized under GAAP; and (2) "Total Capitalization" shall mean Total Debt plus "Net Worth" (as defined below). For purposes hereof, "Net Worth" shall mean the difference between total assets less total liabilities (both as determined on a consolidated basis in accordance with GAAP consistently applied or the appropriate standards of the regulatory agency having jurisdiction over the Company), except that in determining Total Capitalization, contributions in aid of construction, advances for construction, customer deposits, or similar items reducing rate base calculations shall be excluded.

SECTION 10. Events of Default. Each of the following shall constitute an "Event of Default" hereunder:

(A) Payment Default. The Company should fail to make any payment to CoBank when due.

(B) Representations and Warranties. Any opinion, certificate or like document furnished to CoBank by or on behalf of the Company, or any representation or warranty made by the Company herein, in any security instrument or document, or in any other Loan Document, shall prove to have been false or misleading in any material respect on or as of the date furnished or made.

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-10-

(C) **Covenants.** The Company should fail to perform or comply with any covenant set forth in Section 7 hereof (other than Sections 7(G)(3), (4), and (5) hereof) and such failure continues for 30 days after written notice thereof shall have been delivered to the Company by CoBank.

(D) **Other Covenants and Agreements.** The Company should fail to perform or comply with Sections 7(G)(3), (4), or (5) hereof or any other covenant or agreement contained herein or in a Note and Supplement or shall use the proceeds of any loan for any unauthorized purpose.

(E) **Cross Default.** The Company should, after any applicable grace period, breach or be in default under the terms of any other Loan Document (including, without limitation, any security instrument or document) or any other agreement between the Company and CoBank or between the Company and any affiliate of CoBank, including without limitation Farm Credit Leasing Services Corporation.

(F) **Other Indebtedness.** The Company should fail to pay when due any indebtedness to any other person or entity for borrowed money or any long-term obligation for the deferred purchase price of property (including any capitalized lease), or any other event occurs which, under any agreement or instrument relating to such indebtedness or obligation, has the effect of accelerating or permitting the acceleration of such indebtedness or obligation, whether or not such indebtedness or obligation is actually accelerated or the right to accelerate is conditioned on the giving of notice, the passage of time, or otherwise.

(G) **Judgments.** A judgment, decree, or order for the payment of money shall have been rendered against the Company and either: (1) enforcement proceedings shall have been commenced; (2) a Lien prohibited by this Agreement, or security instrument or document, or any other Loan Document, shall have been obtained; or (3) such judgment, decree, or order shall continue unsatisfied and in effect for a period of 30 consecutive days without being vacated, discharged, satisfied, or stayed pending appeal.

(H) **Insolvency, Etc.** The Company shall: (1) become insolvent or shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or (2) suspend its business operations or a material part thereof or make an assignment for the benefit of creditors; or (3) apply for, consent to, or acquiesce in the appointment of a trustee, receiver, or other custodian for it or any of its property; or (4) have commenced against it any action or proceeding for the appointment of a trustee, receiver, or other custodian and such action or proceeding is not dismissed within 30 days of the date thereof, or a trustee, receiver, or other custodian is appointed for all or any part of its property; or (5) receive notice from any regulatory or governmental authority to the effect that such authority intends to replace the management of the Company or assume control over the Company; or (6) commence or have commenced against it any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law of any jurisdiction.

(I) **Material Adverse Change.** Any material adverse change occurs, as reasonably determined by CoBank, in the condition, financial or otherwise, operations, business, or properties of the

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-11-

Company or in its ability to perform its obligations hereunder, under any security instrument or document, or under any other Loan Document.

SECTION 11. Remedies. Upon the occurrence and during the continuance of an Event of Default or Potential Default, CoBank shall have no obligation to extend or continue to extend credit to the Company and may discontinue doing so at any time without prior notice or other limitation. In addition, upon the occurrence and during the continuance of any Event of Default, CoBank may, upon notice to the Company:

(A) **Termination and Acceleration.** Terminate any commitment and declare the unpaid principal balance of the loans, all accrued interest thereon, and all other amounts payable under this Agreement, each Note and Supplement, and all other Loan Documents to be immediately due and payable. Upon such a declaration, the unpaid principal balance of the loans and all such other amounts shall become immediately due and payable, without protest, presentment, demand, or further notice of any kind, all of which are hereby expressly waived by the Company.

(B) **Enforcement.** Proceed to protect, exercise, and enforce such rights and remedies as may be provided by this Agreement, any security instrument or document, any other Loan Document, or under Law. Each and every one of such rights and remedies shall be cumulative and may be exercised from time to time, and no failure on the part of CoBank to exercise, and no delay in exercising, any right or remedy shall operate as a waiver thereof, and no single or partial exercise of any right or remedy shall preclude any future or other exercise thereof, or the exercise of any other right. Without limiting the foregoing, CoBank may hold and/or set off and apply against the Company's obligations to CoBank the proceeds of any equity in CoBank, any cash collateral held by CoBank, or any balances held by CoBank for the Company's account (whether or not such balances are then due).

(C) **Application of Funds.** CoBank may apply all payments received by it to the Company's obligations to CoBank in such order and manner as CoBank may elect in its sole discretion.

In addition to the rights and remedies set forth above and notwithstanding any Note and Supplement: (1) upon the occurrence and during the continuance of an Event of Default, at CoBank's option in each instance, the entire indebtedness outstanding hereunder and under each Note and Supplement shall bear interest from the date of such Event of Default until such Event of Default shall have been waived or cured in a manner satisfactory to CoBank at 4.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Note and Supplement; and (2) after the maturity of any loan (whether as a result of acceleration or otherwise), the unpaid principal balance of such loan (including without limitation, principal, interest, fees and expenses) shall automatically bear interest at 4.00% per annum in excess of the rate(s) of interest that would otherwise be in effect on that loan under the terms of the Note and Supplement. All interest provided for herein shall be payable on demand and shall be calculated on the basis of a year consisting of 360 days.

SECTION 12. Miscellaneous.

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-12-

(A) Broken Funding Surcharge. Notwithstanding the terms of any Note and Supplement giving the Company the right to repay any loan prior to the date it would otherwise be due and payable, the Company agrees to provide three Business Days' prior written notice for any prepayment of a fixed rate balance and to pay to CoBank a broken funding surcharge in the amount set forth below in the event the Company: (1) repays any fixed rate balance prior to the last day of its fixed rate period (whether such payment is made voluntarily, as a result of an acceleration, or otherwise); (2) converts any fixed rate balance to another fixed rate or to a variable rate prior to the last day of the fixed rate period applicable to such balance; or (3) fails to borrow any fixed rate balance on the date scheduled therefor. The surcharge shall be in an amount equal to the greater of (a) the sum of: (i) the present value of any funding losses imputed by CoBank to have been incurred as a result of such payment, conversion or failure; plus (ii) a per annum yield of 0.50% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, or (b) \$300.00. Such surcharge shall be determined and calculated in accordance with methodology established by CoBank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this subsection and of the broken funding charge section of a forward fix agreement between CoBank and the Company, the provisions of the forward fix agreement shall control.

(B) Complete Agreement, Amendments, Etc. The Loan Documents are intended by the parties to be a complete and final expression of their agreement. No amendment, modification, or waiver of any provision of this Agreement or the other Loan Documents, and no consent to any departure by the Company herefrom or therefrom, shall be effective unless approved by CoBank and contained in a writing signed by or on behalf of CoBank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In the event this Agreement is amended or restated, each such amendment or restatement shall be applicable to all Note and Supplements hereto. Each Note and Supplement shall be deemed to incorporate all of the terms and conditions of this Agreement as if fully set forth therein. Without limiting the foregoing, any capitalized term utilized in any Note and Supplement (or in any amendment to this Agreement or any Note and Supplement) and not otherwise defined in the Note and Supplement (or amendment) shall have the meaning set forth herein.

(C) Applicable Law. Without giving effect to the principles of conflict of laws and except to the extent governed by federal law, the Laws of the State of Colorado, without reference to choice of law doctrine, shall govern this Agreement, each Note and Supplement and any other Loan Document for which Colorado is specified as the applicable law, and all disputes and matters between the parties to this Agreement, including all disputes and matters whatsoever arising under, in connection with or incident to the lending and/or leasing or other business relationship between the parties, and the rights and obligations of the parties to this Agreement or any other Loan Document by and between the parties for which Colorado is specified as the applicable law.

(D) Notices. All notices hereunder shall be in writing and shall be deemed to have been duly given upon delivery if personally delivered or sent by facsimile or similar transmission, or 3 days after mailing if sent by express, certified or registered mail, to the parties at the following addresses (or such other address as either party may specify by like notice):

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-13-

If to CoBank, as follows:

For general correspondence purposes:
P.O. Box 5110
Denver, Colorado 80217-5110

For direct delivery purposes, when desired:
5500 South Quebec Street
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services
Fax No.: (303) 224-6101

If to the Company, as follows:

LAKES REGION WATER CO., INC.
P.O. Box 389
Moultonboro, New Hampshire 03254

Attention: President
Fax No.: (603) 476-2721

(E) Costs, Expenses, and Taxes. To the extent allowed by Law, the Company agrees to pay all reasonable out-of-pocket costs and expenses (including the fees and expenses of counsel retained or employed by CoBank) incurred by CoBank and any participants from CoBank and any applicable wire and electronic transfer fees in connection with the origination, administration, collection and enforcement of this Agreement and the other Loan Documents, including, without limitation, all costs and expenses incurred in obtaining, perfecting, maintaining, determining the priority of, and releasing any security for the Company's obligations to CoBank, and any stamp, intangible, transfer or like tax incurred in connection with this Agreement or any other Loan Document or the recording hereof or thereof.

(F) Effectiveness and Severability. This Agreement shall continue in effect until: (1) all indebtedness and obligations of the Company under this Agreement and the other Loan Documents shall have been paid or satisfied; (2) CoBank has no commitment to extend credit to or for the account of the Company under any Note and Supplement; and (3) either party sends written notice to the other party terminating this Agreement. Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceable without invalidating the remaining provisions hereof or thereof.

(G) Successors and Assigns. This Agreement and the other Loan Documents shall be binding upon and inure to the benefit of the Company and CoBank and their respective successors and assigns, except that the Company may not assign or transfer its rights or obligations under this Agreement or the other Loan Documents without the prior written consent of CoBank.

(H) Participations, Etc. From time to time, CoBank may sell to one or more banks, financial institutions, or other lenders a participation in one or more of the loans or other extensions of credit made pursuant to this Agreement. However, no such participation shall relieve CoBank of any commitment made to the Company hereunder. In connection with the foregoing, CoBank may disclose information concerning the Company and its subsidiaries, if any, to any participant or prospective participant, provided that such participant or prospective participant agrees to keep such information confidential. Patronage distributions in the event of a sale of a participation interest shall be governed by CoBank's Bylaws and Capital Plan (as each may be amended from time to time). A sale of a

Master Loan Agreement RI1230
LAKES REGION WATER CO., INC.
Moultonboro, New Hampshire

-14-

participation interest may include certain voting rights of the participants regarding the loans hereunder (including without limitation the administration, servicing, and enforcement thereof). CoBank agrees to give written notification to the Company of any sale of a participation interest.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers as of the date shown above.

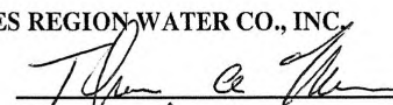
CoBANK, ACB**LAKES REGION WATER CO., INC.**

By: _____

By: _____

Title: _____

Title: _____


President

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 1

Date Received: 01/20/23
Request No. DOE 1-6

Date of Response: 01/30/23
Witness: Leah Valladares

REQUEST:

As alternatives to the proposed loan from CoBank, please describe other loan sources the Company investigated and explain why those options were not pursued.

RESPONSE:

Lakes Region believes that the rates and terms offered by Cobank are favorable to Lakes Region and its customers.

Please note that Lakes Region's existing loans with CoBank require it to obtain approval from CoBank for a loan from another financial institution. Lakes Region understands that many other institutions, including the SRF Program require that their loans receive first priority status. Lakes Region does not know what CoBank or other third party financial institutions would require if Lakes Region were to enter into multiple loans with different financial institutions, either as first or second priority.

By using CoBank as its existing lender, Lakes Region avoids the legal and administrative burdens associated with having two or more lenders and two or more sets of financial and reporting requirements. Working with CoBank as a single, competitive financial institution benefit both Lakes Region and its customers.

Cobank is one of the largest private providers of credit to U.S. rural economy. Cobank provides financial services to rural infrastructure such as water in over 50 states.

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 1

Date Received: 01/20/23
Request No. DOE 1-7

Date of Response: 01/30/23
Witness: Leah Valladares

REQUEST:

Did the Company apply for or inquire about any loan or grant programs administered by the NH Department of Environmental Services (DES), such as the State Revolving Funds (SRF) program or the Drinking Water and Groundwater Trust Fund (DWGTF) program? If yes, please describe in full the outcome of the Company's application(s) and/or inquiries. If no, please explain why the Company did not pursue these programs. Please provide all documentation in support of the Company's responses.

RESPONSE:

With respect to DES SRF program, it is the Company's understanding that the way in which NH DES prioritizes its projects loan eligibility it is likely that the Company would receive a low priority because of the locations and seasonality of its water systems, Davis Bacon wage requirements would result in a higher project cost and the Company's existing relationship with Cobank requires compliance with terms and conditions set forth in the CoBank credit agreement. (see attachment to DOE 1-5). An SRF loan would impose a second set of financial covenants and security obligations that the Company would be required to administer resulting in additional staff resources and coordination.

With respect to the DWGTF program, the Company has inquired about the Source Water Protection (SWP) grant program and a meeting was held with Molly Thunberg on December 15, 2022. The Company supplied her with a copy of the draft petition in this docket and has asked for assistance with this project to establish its eligibility. The Company is waiting for Ms. Thunberg to follow up with her findings. (see attached email)

DOE 1-7 Attachment A

From: [Thunberg, Molly](#)
To: [Leah Valladares](#)
Subject: NHWWA conference follow-up
Date: Monday, November 28, 2022 11:49:54 AM

Hi Leah,

It was such a pleasure to connect with you at the NHWWA conference! I apologize it's taken me so long to reach out, I did NOT expect October & November to be so busy. Here's a bit of information about my grant program and we can set up a call to talk more about what resources I can offer you.

SWP Grant Program Info

Here is a hyperlink to [the Source Water Protection grant program's web page](#). The grant program is funded through the Drinking Water and Groundwater Trust Fund (DWGTF). I have an annual budget of \$2 million to conserve lands that will protect our drinking water supply. Grant awards are capped at \$500,000.

Eligible Lands

The water supply source needs to be a municipal or community water supply
Eligible lands are

- Hydrologic Areas of Concern
- Wellhead Protection Areas (this includes Sanitary Protection Areas)

You can view the eligible water supply land layers in the [NHDES OneStop Data Mapper](#). I think water suppliers should already have passwords to access the mapper, but if you don't, you can request a [PIN and Password from NHDES at this link](#). If you have properties in mind, you're welcome to send the property to me and I can verify whether it overlaps eligible lands for you too.

Creating a Conservation Priority Plan

If you're interested in putting together a conservation priority plan that targets drinking water supply lands, Melissa Macheras runs the [Local Source Water Protection grant program](#) funded through NHDES. Her program can fund the cost of putting together a priority plan (staff time, associated project costs, etc.). We're both happy to offer advice on drinking water lands to prioritize. Also, if you have a property you would like to apply for funding with my DWGTF Source Water Protection, you can also use Melissa's NHDES Local Source Water Protection Grant Program as a funding match.

If you'd like to chat more, I'm free all this week in the mornings, I'm entirely booked out on site visits the first full week of December, and then my schedule clears again after that.

I hope you had an excellent Thanksgiving and long weekend!
-Molly

Molly Thunberg

Molly Thunberg

DWGTF Source Water Protection Grant Program Coordinator

Drinking Water and Groundwater Bureau

New Hampshire Department of Environmental Services

(603) 271-2862

CAUTION: This email originated from outside of LRWater organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 1

Date Received: 01/20/23
Request No. DOE 1-13

Date of Response: 01/30/23
Witness: Leah Valladares

REQUEST:

Regarding the water shortages occurring in 2022 (Mason testimony p. 2 at bottom):

- a) How many truckloads did the 396,000 gallons represent?
- b) What was the total cost of this trucked-in water?
- c) Please provide total Paradise Shores well production by month for 2020 through 2022.
- d) Please provide total Paradise Shores trucked-in water by month for 2020 through 2022.
- e) Please provide total Paradise Shores consumption by quarter for 2020 through 2022.

RESPONSE:

- a.) 396,000 gallons of water represents 66 loads of trucked water.
- b.) Total cost of this trucked-in water is \$41,535.50.
- c.) Production totals by month in gallons.

Well	Mt Roberts Well 2			Mt Roberts Well 4			**BRW 5 & 6		
Year	2020	2021	2022	2020	2021	2022	2020	2021	2022
Jan	1,280,895	1,620,729	1,479,866	42,500	7,165	0	287,000	512,913	950,000
Feb	1,046,390	1,063,276	1,170,649	30,126	4	1	313,000	534,087	1,002,000
Mar	1,286,187	521,059	1,370,617	39,310	1,729	0	326,000	1,381,000	679,100
Apr	872,496	404,865	680,864	40,350	5	29	491,000	1,409,000	1,327,900
May	1,272,395	961,032	1,164,484	56,281	2	80	1,187,000	1,187,000	1,596,000
Jun	1,269,796	1,291,751	1,179,313	47,067	1	75	1,511,000	1,523,000	1,410,000
Jul	1,382,430	1,638,523	1,422,653	1,192	1,000	8,431	1,584,000	1,519,000	1,545,000
Aug	1,429,498	1,480,084	1,268,929	73	961	9,807	1,629,000	1,624,000	1,600,000
Sep	1,261,154	1,155,130	1,108,573		3,220	6,503	1,322,000	1,126,000	1,204,000
Oct	1,126,519	1,318,892	930,217	12,720	193	3,764	1,014,000	1,127,000	637,000
Nov	1,212,484	1,318,892	947,207	8,199	193	6,871	729,000	1,127,000	921,000
Dec	1,367,602	1,165,011	780,868	9,824	4	6,501	387,000	817,000	797,000
Total	14,807,846	13,939,244	13,504,240	287,642	14,477	42,062	10,780,000	13,887,000	13,669,000

2020 Total 25,875,488

2021 Total 27,840,721

2022 Total 27,215,302

- d) Trucked-in water by month in gallons.

	2020	2021	2022
Year	0	0	396,000
Jul			108,000
Aug			264,000
Sep			24,000

- e) See attached consumption reports by quarter.

Lakes Region Water Company
2020 Actual Consumption (Gallons)

Units=100 cubft

100cubft= 748 gallons

	Number of Customers End of Period			Number of Customers End of Period			ESTIMATED COVID Apr-Jun
	Jan-Mar						
	Units	Gallons		Units	Gallons		
02- Paradise Shores	418	1751	1,309,748	418	3200		2,393,600
02-a POASI	1	1823	1,363,687	1	3,549		2,654,180

2021 Actual Consumption (Gallons)

Units=100 cubft

100cubft= 748 gallons

	Number of Customers End of Period			Number of Customers End of Period			Apr-Jun
	Jan-Mar						
	Units	Gallons		Units	Gallons		
02- Paradise Shores	418	2058	1,539,384	419	2,807		2,099,636
02-a POASI	1	3821	2,857,871	1	5,205		3,893,147

2022 Actual Consumption (Gallons)

Units=100 cubft

100cubft= 748 gallons

	Number of Customers End of Period			Number of Customers End of Period			Apr-Jun
	Jan-Mar						
	Units	Gallons		Units	Gallons		
02- Paradise Shores	421	1683	1,258,884	423	2,412		1,804,176
02-a POASI	1	3204	2,396,460	1	4,859		3,634,293

Number of Customers End of Period			Number of Customers End of Period			Average/ Total 2020 Quarter		
Jul-Sep		Period	Oct-Dec		Period	Total 2020		Average/ Quarter
Units	Gallons		Units	Gallons		Units	Gallons	
418	3943		418	2247		11,141	8,333,468	2,083,367
1	6,527		1	5,149		17,048	12,752,043	3,188,011

Number of Customers End of Period			Number of Customers End of Period			Average/ Total 2021 Quarter		
Jul-Sep		Period	Oct-Dec		Period	Total 2021		Average/ Quarter
Units	Gallons		Units	Gallons		Units	Gallons	
420	4,206		421	2,051		11,122	8,319,256	2,079,814
1	6,204		1	4,948		20,178	15,092,923	3,773,231

Number of Customers End of Period			Number of Customers End of Period			Average/ Total 2022 Quarter		
Jul-Sep		Period	Oct-Dec		Period	Total 2022		Average/ Quarter
Units	Gallons		Units	Gallons		Units	Gallons	
423	3,575		423	1,556		9,226	6,901,048	1,725,262
1	6,726		1	5,192		19,981	14,945,490	3,736,373

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 1

Date Received: 01/20/23
Request No. DOE 1-15

Date of Response: 01/30/23
Witness: Leah Valladares

REQUEST:

Regarding the rate recovery described at the bottom of St. Cyr testimony p. 4:

- a) How was the 66/34 percentage split determined?
- b) Was POASI involved in this determination?

RESPONSE:

- a) With regards to the “approximate” rate recovery at the bottom of St. Cyr’s testimony p.4, this basis for this information may be found in attachment a of DOE 1-9c. The 1.5% difference adjusting for increases attributed in 2022. POASI’s special contract for 2023 based on 2022 usage has not been calculated at this time.
- b) POASI was not involved in this determination, they are subject to the special contract.

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 2

Date Received: 02/08/23
Request No. DOE 2-1

Date of Response: 02/23/23
Witness: Leah Valladares

REQUEST: Re: Company's response to DOE 1-7:

- a) Please describe what further communication, if any, the Company has had regarding the Source Water Protection (SWP) grant program since the described December 15, 2022 meeting with Ms. Thunberg. Please provide copies of this communication, if available.
- b) Please indicate the present status and anticipated outcome of the Company's inquiries into this program.

RESPONSE:

- a) The Company sent Ms. Thunberg a follow up email and received a response. See attachment A.
- b) The Company continues to explore Ms. Thunberg options to understand the program and if it's the best option for this project.

Attachment A DOE 2-1

From: [Thunberg, Molly](#)
To: [Leah Valladares](#)
Subject: RE: NHWWA conference follow-up
Date: Tuesday, February 14, 2023 11:52:50 AM
Attachments: [LRWC Project Request.docx](#)
[Conservation Funding Sources.pdf](#)

Hi Leah!

Here's what I was able to pull together for you. Attached is a description of what the SWP grant program can offer, the scope of what's eligible, what would be involved, possible project partners in the area, and potential additional funding sources.

I took the budgets from the most recent 7 projects to give a sense of the average cost of the required due diligence documents that need to be submitted. I would recommend partnering with the Lakes Region Conservation Trust to go over the budget and project costs because I don't see all the behind the scenes work involved in these projects so I likely have gaps in my knowledge that they can fill.

Attached is a table of state and federal conservation funding sources. I bulleted the ones I think will overlap best. We should verify these because I'm not fully fluent in the details of the other funding programs.

Would you like to schedule another chat to go over these sometime?

I hope you're keeping well!

-Molly

From: Leah Valladares <leah@lakesregionwater.com>
Sent: Thursday, February 9, 2023 3:28 PM
To: Thunberg, Molly <Molly.L.Thunberg@des.nh.gov>
Subject: RE: NHWWA conference follow-up

EXTERNAL: Do not open attachments or click on links unless you recognize and trust the sender.

Good afternoon Molly,

Just following up with you regarding our meeting on December 15th.

Is there any opportunity to for Lakes Region regarding the Source Water Protection (SWP)?

Thank you,

Leah Valladares | Utility Manager

Lakes Region Water Co, Inc.

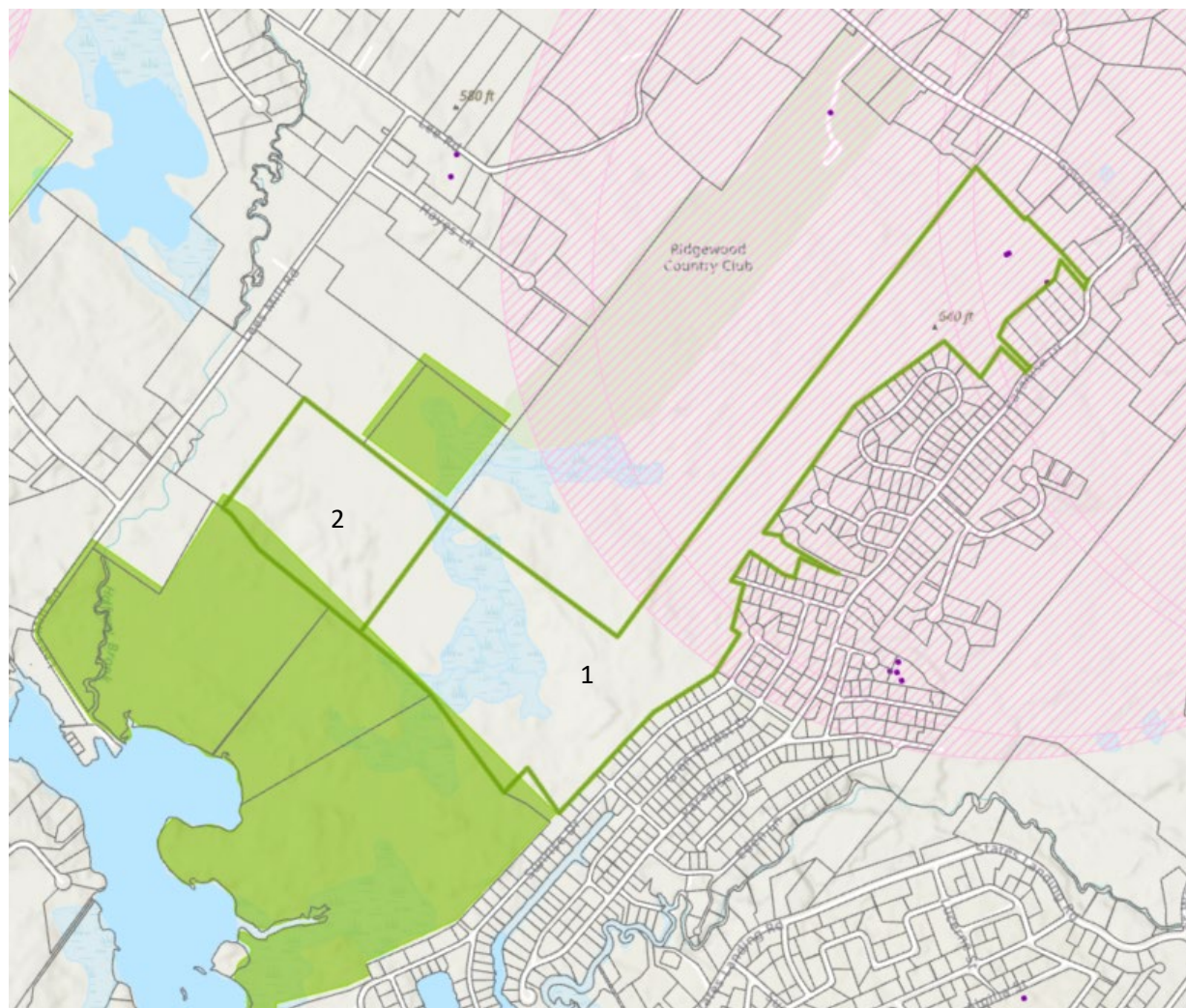
420 Gov. Wentworth Highway | PO Box 389

Proposed Lakes Region Water Company Conservation Project

Eligible projects

The SWP grant program funds land acquisition projects to protect active public drinking water sources. Acquisition can be either in fee or through a conservation easement. The property must be undeveloped, and the project must permanently conserve the land through deed restrictions.

For a property to be eligible, the land must overlap with a Wellhead Protection Area or Hydrologic Area of Concern for an active public or community drinking water supply.



Property #1 is currently eligible and will be 100% eligible once the new wellhead protection area is delineated and approved.

Property #2 will be 100% eligible when the new wellhead protection area is delineated and approved.

Timeline

There are two timing options for conserving these properties:

- Wait until the new WHPA is delineated and approved. Properties that overlap WHPAs are automatically eligible for grant funding.
- Apply to the SWP grant program now as a “future source” project. Future source projects are not automatically eligible and need to be reviewed by the DWGTF subcommittee before they can apply for grant funding. A future source project must meet 9 criteria to be eligible. This option is more work-intensive.

Future Source Eligibility Criteria

1. An existing community or non-transient, non-community water system or municipality has identified the need to protect the subject parcel(s) as a potential or likely future water supply source.
2. A public water system or municipality has demonstrated the need for a future source.
3. A public water system or municipality has evaluated possible options for a future source and has consequently selected the subject parcel.
4. The value of the subject parcel(s) as a future source has been demonstrated with a pumping test and water quality data.
5. The feasibility of connecting the future source to an existing or future water system has been demonstrated.
6. The water system or municipality has made or is committed to making a substantial financial commitment to developing a new source associated with the area proposed to be protected.
7. A preliminary WHPA delineation that is consistent with the Department's applicable new well siting rules has been completed.
8. Factors such as potential or existing sources of contamination or the impact of a large groundwater withdrawal will not prevent the area from being approved as the site of a new public water supply well.
9. Water development rights will be conveyed to a water system or municipality.

Funding

The SWP grant program offers 50% match of the eligible project costs. Eligible project costs are the costs associated with acquiring and conserving the land, pro-rated to the percent of the property that overlaps with a wellhead protection area or hydrologic area of concern.

For example,

- If a property overlaps the wellhead protection area or hydrologic area of concern by 75%, the grant award will be [the total project cost] x [75%] x [50%].
- If the property completely overlaps the wellhead protection area or hydrologic area of concern, the grant award will be [the total project cost] x [100%] x [50%].

The wellhead protection area hasn't been delineated by NHDES yet but the properties will likely overlap by 100%.

Scope of Project

LRWC currently owns property #1. If LRWC puts the property in a conservation easement, they would be reimbursed for the value of the conserved land. The associated project costs would be covered by various funding sources. All funders require match which can come from a variety of sources such as: other grant programs, financial contribution, or in-kind -which is the value of donated time for services provided. In-kind can also be the purchase price LRWC has already fronted to acquire the land. Or adjacent land purchased and conserved at the same time as the project property.

Project Costs

To give an idea of the costs involved in conserving a property, here are the average itemized project costs for the 7 most recent projects. The total project cost also accounts for the purchase price of the property which varies wildly depending on where in the State the property is.

The land purchase price is the largest cost in these projects, this is the piece that LRWC would receive back in grant payments as compensation for the initial land acquisition.

Example Project Costs	Average
Avg Project Acres	58.57 ac
Land or conservation easement purchase	
Appraisal	\$ 6,878.57
Survey	\$ 12,864.29
Title	\$ 3,006.86
Baseline documentation report	\$ 2,500.00
Stewardship fund	\$ 22,346.43
Legal review and closing	\$ 5,115.86
Environmental site assessment	\$ 2,460.00
Staff time	\$ 36,500.00
Other	
Total project cost	\$ 1,273,890.57

Match Funding Options and Possible Project Partners

The end goal of this conservation project is to get LRWC a reimbursement for the cost of acquiring the land. This project should be structured so there's a financial benefit to LRWC.

I recommend partnering with a local land trust because they're in the business of conservation and they'll be able to give you an accurate idea of what costs are involved in a project like this. As a program coordinator, I don't get to see all the behind the scenes work of what it takes to pull off these conservation projects so there will be gaps in my advice.

Possible Partners

[Lakes Region Conservation Trust](#)

David Mallard is their conservation director. The website doesn't give an email to copy. You have to go to the staff list directly and send a message there. I can make introductions if you like. They're already the conservation easement holders for the Castle in the Clouds Estate off to the northeast so there's connectivity benefits there as well.





The conserved property along the lakeshore is the Marcus Wildlife Sanctuary which is managed by the [Loon Preservation Committee](#). They may be interested in adding connectivity to the existing conservation area and can pitch in funds or help with the project management.






Likely grant funding sources

- [The Land and Community Heritage Investment Program](#) (LCHIP)
- [Moose Plate](#)
- [NHDES Local Source Water Protection](#) (LSWP) grant program

Attached is a chart of all available state and federal funding sources for land conservation. The bulleted list are programs whose eligibility criteria will likely will overlap. I am not an expert in these program's criteria and process so they will need to be verified.

State and Federal Conservation Funding Sources

click the logo for url	CONTACT	DEADLINES	AVAILABLE FUNDING	ELIGIBLE APPLICANTS	ELIGIBLE PROJECTS	FUNDING PRIORITIES	REQUIRED ENCUMBRANCES
Aquatic Resource Mitigation Fund (ARM) 	Emily Nichols des.arm@des.nh.gov 603-271-0727	Pre App May 31 st App Aug 31 st Site visits Sept-Oct Decision by Dec	Varies annually Encourage 30% match	Municipalities & other subdivisions of the State 501c organizations	Wetland and stream restoration and/or enhancement, acquisition/ cons easements of high value aquatic resource lands and their buffers	Aquatic resource and buffer restoration, enhancement, and preservation with restoration component, Ecological (WAP habitats), T&E species, aquatic organism passage in streams, connections to existing cons lands.	
DWGTF Source Water Protection (SWP) 	Molly Thunberg WSLP@des.nh.gov 603-271-2862	Pre App June 30 th App Sept 9 th Site visits Sept-Oct Decision by Nov/Dec	\$2M Total annually ≤ \$500,000 award 50% min match of eligible project costs	Municipalities & other subdivisions of the state Public and community water systems Land trusts or other nonprofit w/ land cons. as purpose.	Acquisition of land or easements.	Eligible source water protection lands for active public water systems: Wellhead Protection Areas Hydrologic Areas of Concern	Conservation restrictions for drinking water protection. 3 rd Party Right of Enforcement by NHDES Annual Property Monitoring Report
NH Forest Legacy Program 	Susan Francher Susan.Francher@dnr.nh.gov 603-271-4159	App June 1 st Site visits July-Oct Decision by Congressional appropriation year following deadline	\$50-80M Total ≤ \$80M award 25% match of total project cost	Private landowners 501c organizations Municipalities	Acquisition of easements, occasionally full fee acquisitions.	Environmentally important forest areas threatened by conversion to non-forest uses. Priorities: Working forest, exceptional wildlife habitat, water quality protection, recreation, scenic, cultural resources. At least 75% forested.	Affirmative right of access to the public.
Land and Community Heritage Investment Program (LCHIP) 	Paula Bellemore Pbellemore@lchip.org 603-325-2253	Pre App May 14, 2021 App June 25, 2021 Site visits July-Sept Decision by Nov	\$3.5-4M Total \$10,000-\$500,000 award 50% match	Municipalities or other subdivisions of the State 501c organizations	Acquisition of land or easements, some studies	Generalist – Priorities include: Agriculture, Working Forest, Ecological (wildlife habitat, wetlands), Recreation/Education, Historical/Cultural, Scenic/Aesthetic	Affirmative right of access to the public. Conservation restrictions with right to enforce to LCHIP. Easements require an executory interest be granted to the State.

click the logo for url	CONTACT	DEADLINES	AVAILABLE FUNDING	ELIGIBLE APPLICANTS	ELIGIBLE PROJECTS	FUNDING PRIORITIES	REQUIRED ENCUMBRANCES
Land and Water Conservation Fund (LWCF) 	Eric Feldbaum lwcf@dncr.nh.gov 603-271-3556	Pre App May 28, 2021 App Oct 2021 Decision by Feb 2022, State Selections Decision by Apr-Aug 2022, NPS Approval	\$25,000-\$400,000 award 50% min match	Counties, Municipalities, or other sub-units of local government	Acquisition and/or development of land or easements		Property may not be converted to any other use than public outdoor recreation without consent of US Sect of the Interior
Moose Plate 	Dea Brickner-Wood NH-Conservation-Committee@nh.gov 603-868-6112	App Sept 10, 2021 Decision by Dec 3, 2021	≤ \$30,000 award Match is encouraged	County Cons. Districts; & Cooperative Ext. Natural Resource Programs; Municipalities, incl. agencies & commissions engaged in conservation programs; Qualified NPOs engaged in conservation programs; Public & private K-12 schools; scout groups	Land Conservation is one of 6 Project Categories	Land Conservation: Agriculture, Working Forest, Ecological (wildlife habitat, wetlands & water resources).	
NHDES Local Source Water Protection (LSWP) 	Melissa Macheras Melissa.E.Macheras@des.nh.gov 603-271-2950	App Nov 1, 2023 Decision by Jan	≤ \$25,000 award Match is encouraged	Water Suppliers, Regional Planning Commissions, County Conservation Districts, Watershed Associations, Municipalities, Nonprofit Organizations, State Agencies, Educational Institutions	Land transaction costs only (attorney fees, tax stamps, recording fees, appraisal, survey, baseline documentation, etc.)	Source water protection areas for an active public water supply source.	
NRCS Agriculture Land Easement (ACEP-ALE) 	Ian Rodgers Ian.Rodgers@usda.gov 603-868-9931 x104	App May 28, 2021 Decision by June 30, 2021 Site visits June-Aug	≤ \$1.2M award 50% min match non-federal	Eligible entities (units of local/state govt & NGOs)	Acquisition of agricultural easements on privately owned land.	Prime/local/statewide important soils; historical/archaeological resources; grazing uses; Furthers a state or local policy consistent with purposes of ALE	See Minimum Deed Terms. Generally, allows permitted agricultural uses and limits non-agricultural uses. Requires US Right of Enforcement.
USDA Forest Service, Community Forest and Open Space Conservation Program 	Susan Francher Susan.Francher@dncr.nh.gov 603-271-4159	App Jan 1 st Decision by April 30	\$4M Total ≤ \$600,000 award 50% match	Municipalities, 501c organizations	Full fee acquisitions	Private forest land threatened by conversion to non-forest use, Not held in trust by the United States; provides defined community benefits, ≥ 5 acres in size, is suitable to sustain natural vegetation, ≥ 75% forested.	Must allow for public recreational access

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 2

Date Received: 02/08/23
Request No. DOE 2-1

Date of Response: 02/23/23
Witness: Leah Valladares

REQUEST: **Re: Company’s response to DOE 1-8 (b) and Attachment A, SPS-5:** The ‘Percentage Increase Required’ of 5.97% indicated on this schedule is based on a ‘2021 Total Sales of Water including POASI Sales’ amount of \$1,607,140, which does not appear to include an adjustment for additional revenues approved in DW 19-177 and DW 20-087. Please provide an updated Schedule SPS-5 that reflects the additional annualized pro forma revenues approved in DW 19-177 and DW 20-087.

RESPONSE:

See attached updated SPS-5, which reflects the additional annualized pro forma revenues approved in DW 19-177 and DW 20-087.

Lakes Region Water Co., Inc.
2022 Financing with CoBank - Paradise Shores Well Project
Preliminary Calculation of Revenue Requirement

SPS 5

	PS Well Field
Plant Additions/Retirements:	
Plant Additions	
304 1,700' Access Road to Wells	\$ 108,000
304 1,700' Electrical Service	81,600
304 Pump Station Meter and Control Building	198,000
307 (2) Drilled Wells (Completed)	96,000
307 (2) Drilled Wells (To Be Completed)	144,000
311 Pumping Equipment	108,000
331 1,700' - 3" Water Main	126,480
Total	<u>\$ 862,080</u>
Plant Retirements	-
Net Additions/Retirements	<u>\$862,080</u>
Add: Accum Depr on Retired Plant	-
Less: Accum Depr on New Plant	<u>(15,506)</u>
Net Plant	<u>\$ 846,574</u>
Plus: Working Capital	-
Total Additional Rate Base	<u>\$ 846,574</u>
Rate of Return	<u>6.79%</u>
Return on Investment	<u>\$ 57,482</u>
Increase in Operating Expenses	
Decrease in Depreciation Expense on Retired Plant (1)	-
Increase in Depreciation Expense on New Plant	31,012
Taxes other than Income	7,372
Income Taxes	-
Total Increase in Operating Expenses	<u>\$ 38,384</u>
Increase in Revenue Required	<u>\$ 95,866</u>
2021 Total Sales of Water including POASI Sales	<u>\$ 1,607,140</u>
Increase in revenue from recently approved and pending rate increases associated with DW 19-177 & DW 20-087	<u>170,826</u>
Adjusted Total Sales of Water including POASI Sales	<u>\$ 1,777,966</u>
Percentage Increase Required	<u>5.39%</u>

Noted: Approximately 66% of the investment, revenue and expenses will be paid for by POASI.

SPSt. Cyr
2/22/2023

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 2

Date Received: 02/08/23
Request No. DOE 2-3

Date of Response: 02/23/23
Witness: Leah Valladares

REQUEST: **Re: Company's response to DOE 1-9 (d) and (e):** Please describe in detail the nature of and outcome of the meeting that was held on February 4, 2023 between the Company and POASI. Please provide any relevant documentation.

RESPONSE:

The Company held an informal meeting with the members of the POASI water board on February 4, 2023. The nature of the meeting was to advise the water board of the new well source project. A discussion was held regarding POASI's contribution to the project and it was agreed that the Company would provide POASI with updates as the project continue. With regards to POASI's contribution the Company is working on providing POASI with options that would best work for all parties involved in.

Option 1- One time contribution.

Option 2- Contribution spread out for the life of the loan.

DW 22-087
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF LONG-TERM FINANCING
DEPARTMENT OF ENERGY DATA REQUESTS – SET 3

Date Received: 03/03/2023
Request No. DOE 3-1

Date of Response: 03/03/2023
Witness: Leah Valladares

REQUEST:

What is the rate currently, as of March 2nd or later, offered by CoBank to Lakes Region Water Company (Lakes Region or the Company) for a loan with the terms described in the Petition? Please include verification of this rate from CoBank, if available.

RESPONSE:

Cobank advised a rate of 7.04% as of March 2, 2023. See attached email.

From: [Ervin, Bryan](#)
To: [Leah Valladares](#)
Subject: RE: Current Rate
Date: Thursday, March 02, 2023 1:15:40 PM

Leah, as of today the rate would be 7.04%. 10 year treasury rates are up 53bps since Jan 23 when we last checked rates. The 10 yr treasury is a benchmark for long term debt rates in general.

Bryan Ervin
CoBank
303-740-4377

From: Leah Valladares <leah@lakesregionwater.com>
Sent: Thursday, March 02, 2023 9:26 AM
To: Ervin, Bryan <ERVINB@cobank.com>
Subject: Current Rate

EXTERNAL EMAIL

Good morning Bryan,

What is the current rate looking as of today?

Thank you,
Leah Valladares | Utility Manager
Lakes Region Water Co, Inc.
420 Gov. Wentworth Highway | PO Box 389
Moultonborough, NH 03254
Direct # (603) 707-0644
(O) 603.476.2348 x103

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