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Please respond to the Portsmouth office

May 19, 2016

NHPUC 23MAY'16PM12:50

Debra A. Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Re: Lakes Region Water Company; DW 15 – 209 & 15 – 422

Dear Executive Director Howland:

On May 3, 2016 Lakes Region Water Company participated in a technical session with Staff and the other parties to discuss a proposed modification to Lakes Region's request for a permanent rate increase and for financing to acquire the Mount Roberts Project. Specifically, the parties discussed alternatives to Lakes Region's request for an Allowance for Funds Used During Construction (AFUDC) of $192,417 (27.9%) in the costs for the Mount Roberts Project.

During the technical session, Lakes Region presented a proposal to eliminate AFUDC and record the direct costs for the Project, subject to Staff review, as paid in capital. In order to address concerns regarding an increase the proportion of equity in Lakes Region's capital structure, Lakes Region proposed to finance one or more capital projects using long-term debt proposed by CoBank ACB, including: (1) Acquisition of and improvement to the Dockham Shores Estates water system; (2) Improvements to the White Mountain Gateway system; (3) Improvements to the Wentworth Cove system; and (4) Improvements to Lakes Region's office and shop work area. Lakes Region believes that these projects would improve service to customers; address concerns regarding Lakes Region's capital structure; and increase Lakes Region's customer base and thereby reduce the future costs to serve existing and new customers.

As a result of these discussions, Lakes Region agreed to submit the following information by May 27, 2016:

1. Petition for approval of the acquisition, financing and related approvals for the Dockham Shores Estates water system pursuant to the Asset Purchase Agreement presented at the May 3, 2016 technical session. This will

likely require a separate docket for review by Staff and other interested parties.

2. Revised permanent rate schedules showing the elimination of AFUDC from the costs of the Mount Roberts Project and its treatment as paid in capital. Lakes Region noted that testimony in support of the revised permanent rate schedules, if required, would be submitted at an agreed-upon date thereafter.

3. Pro Forma Adjustments to the revised permanent rate schedules, above, showing the effect of capital projects (1 – 4), above, on the test year. This information would be submitted for informational purposes at the request of the Office of the Consumer Advocate.

4. Proposal for Step Adjustment, for capital projects (2 – 4), above, if any. This information would be submitted for informational purposes. Lakes Region anticipates that a step adjustment and related financing may require review by Staff and other parties either in this docket or in a subsequent proceeding, as appropriate.

Based on the above and other information discussed at the May 3, 2016 technical session, the parties agreed to recommend that the Commission schedule a technical session for June 8, 2016 or June 15, 2016, for the purpose of a procedural schedule for the remainder of this proceeding.

I believe this fairly and appropriately covers the issues discussed at the May 3, 2016 technical session. To be clear, each and all of the parties at the technical session, including Lakes Region, reserved all rights to review this or other information in this proceeding. However, subject to that reservation, Lakes Region believes that the discussions at the technical session were productive and may provide a successful framework for review and resolution of the remaining issues in this proceeding and looks forward to working with Staff and the other parties in that regard.

If you have any questions, please feel free to contact me.

Very truly yours,

Justin C. Richardson
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JCR/sem
cc: Service List DW 15 – 209 & 15 – 44