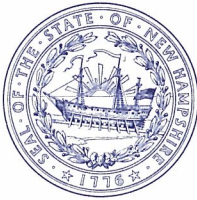


THE STATE OF NEW HAMPSHIRE



CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Clifton C. Below
Amy L. Ignatius

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland

PUBLIC UTILITIES COMMISSION

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February 3, 2011

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

Re: DW 08-070 Lakes Region Water Company, Inc.
Petition for Financing and Step Increases
Amendment to Third Step Stipulation Agreement Schedules



Dear Ms. Howland:

At the hearing on December 13, 2010, Staff and Lakes Region Water Company, Inc. (Lakes Region) presented a stipulation agreement dated December 10, 2010 (the agreement) in this proceeding. The agreement called for a total increase in Lakes Region's revenues of \$25,224, a percentage increase of 3.29% over Lakes Region's 2009 revenues¹. Of that amount, \$11,833 was to be realized through an increase in customer rates. That percentage increase overall was calculated to be 1.54%. The balance of the new revenues, \$13,391, would be realized by moving the company's Gunstock Glen customers to the company's unmetered consolidated rate. Attachment A Schedule 6 to the agreement called for new rates for Lakes Region as follows: WVG Pool \$1,158 annually; unmetered rate \$481.23 annually; and a rate for metered customers of \$3.93 per hundred cubic feet of consumption and a customer charge of \$374.15 annually. It has come to the attention of Staff and Lakes Region that the calculation of these rates did not appropriately account for the shifting of the Gunstock Glen customers to the company's unmetered rate. Because the agreement calls for 55 more customers to be included in the unmetered rate class, the rate as contained on Schedule 6 (\$481.23) would represent a decrease from the current tariff rate of \$495.53². It was not the intention of Staff and Lakes Region to recommend a rate decrease; rather, it is our intention to distribute the increase in revenues proportionately among the three customer classes. Therefore, attached is a revised, track-change and clean, Schedule 6 which illustrates the recommended rates. We respectfully request the Commission disregard Schedule 6 which was submitted at hearing and substitute this corrected version.

In addition to the above, the Schedule 6 as filed with the agreement was also intended to be a revenue proof, and the totals of revenue to be derived from each of the three customer

¹ New revenues from the step adjustment of \$25,224 divided by Lakes Region's 2009 operating water revenues (excluding special contract revenues) of \$766,032 equals an increase of 3.29%.

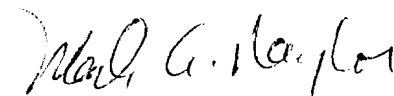
² The company's unmetered consolidated rate has been previously calculated as the average revenue per customer from all of the company's water systems as shown on Schedule 6.

classes should add to the company's total revenue requirement including the step adjustment revenues. That total revenue should be \$791,256, and is comprised of Lakes Region's 2009 water sales revenues (exclusive of special contract revenues) of \$766,032 and the \$25,224 in new revenues from the step adjustment as called for in the agreement. However, Staff and Lakes Region began the proof using the figure of \$777,865 which excluded the \$13,391 in marginal revenues to be realized simply by shifting the Gunstock customers to the consolidated rate, as illustrated on Attachment A Schedule 1 of the agreement. (\$777,865 plus \$13,391 = \$791,256). By not including these revenues, we recommended rates which were not adequate for the company to realize the revenues the agreement calls for. The Schedule 6 attached to this letter corrects this error. And to calculate rates for the three customer classes which reflect an equal percentage increase, we now recommend a percentage increase for each class of 2.25%. Staff and LRWC therefore recommend the following rates: WVG pool rates would increase from \$1,140.73 to \$1,166 annually; unmetered customer rates would increase from \$495.53 to \$506.68 annually; and metered customer rates would change from the fixed customer charge of \$365.01 to \$373.23 annually, with a consumption rate changing from \$3.83 per 100 cubic feet to \$3.92. These rates will yield the total recommended revenue requirement of \$791,256.

The agreement as filed recommends that the Commission approve the new rates from this proceeding in combination with the temporary rates in the current rate case DW 10-141. If approved, the new rates resulting from this step adjustment will not actually be implemented but will instead be combined with temporary rates. Providing the corrected rates in this docket at this time will help to ensure that the temporary rates if approved will be calculated accurately and will aid the company in calculating its reconciliation of temporary rates to permanent rates when DW 10-141 is concluded. This is particularly important since only the temporary rates will be reconciled; the step adjustment portion of the increase as called for in the instant docket is not subject to reconciliation.

Staff has contacted parties in this docket concerning the changes to Schedule 6. The Company concurs with this filing. The Office of the Consumer Advocate neither supports nor opposes this filing and continues to support the positions it took at the hearing. Staff was unable to obtain a response from Hidden Valley Property Owners Association prior to this filing. Thank you in advance for your assistance with this matter.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

cc: Service List (electronically only)

DW 08-070
LAKES REGION WATER COMPANY, INC.
COMPUTATION OF RATES - STEP 3

Total Revenue Requirement Subject to Step 3 (Schedule 1)									\$ 791,256
Less: Annual Operating Revenue - WVG Community Pool									
Current Authorized Revenue Per Tariff								\$	1,140.73
1 + 2.25 % Increase to WVG Community Pool						X	1.0225		(1,166.40)
Less: Annual Operating Revenue - Non-metered Customers									
Current Authorized Revenue Per Tariff								\$	495.53
1 + 2.25% Increase to Non-metered Customers						X	1.0225		
Revised Annual Rate per Non-metered Customer									506.68
Total Non-metered Customers (including Gunstock Glen)						X	574	\$	(290,834)
Revenue Requirement Collected through Minimum Charge and Consumption Charge									\$ 499,256
Calculation of Metered Rate: X + Y*(28,368 ccf (a) + 1,040 metered customers) =								\$ 480.05	charge per customer
(X = Minimum Charge; Y = Consumption Charge)									
<u>Calculation of Present Proportion of Minimum Charge to Consumption Charge:</u>									
Present Annual Minimum Charge Per Tariff: (X)								\$	365.01
Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y)								÷	\$ 3.83
Proportion of Present Minimum Charge to Present Consumption Charge: (X ÷ Y)									95.3
<u>Calculation of Consumption Charge:</u>									
X + Y * 28,368 + 1,040 =								\$	480.05
Y * 95.3 + Y * 27.3 =								\$	480.05
Y * 122.6 =								\$	480.05
Y =								\$ 3.92	* 28,368 = \$ (111,096)
Revenue Requirement Collected through Minimum Charge									\$ 388,160
<u>Calculation of Annual Minimum Charge:</u>									
X + Y * 28,368 + 1,040 =								\$	480.05
X + \$ 3.92 * 27.3 =								\$	480.05
X + \$ 106.82 =								\$	480.05
X =								\$ 373.23	* 1,040 = \$ (388,160)
Remainder of Total Revenue Requirement Subject to Step 3									\$ -

a Conversion of Metered Consumption from Gallons to CCF:

2009 Total Consumption by Metered Customers (Gallons)	32,887,000	Gallons
Less: 2009 Suissevale Metered Consumption (Gallons)	(11,666,000)	Gallons
2009 Consumption by Metered Customers subject to Step 3 (Gallons)	21,221,000	Gallons
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	÷ 748.05	Gallons
2009 Consumption by Metered Customers subject to Step 3 (CCF)	<u>28,368</u>	CCF

b Percentage Increase to Metered Customers

New Annual Metered Charge per Customer		\$	480.05
Less: Annual Average Metered Charge per Customer per Current Tariff			
Metered Rate per Current Tariff		\$	3.83
Average Annual Consumption per Metered Customer (CCF)	X	27.3	\$ 104.47
Annual Customer Rate per Current Tariff			365.01 (469.48)
Average Annual Increase per Metered Customer			<u>\$ 10.57</u>
Percentage Increase			<u>2.25%</u>

DW 08-070
LAKES REGION WATER COMPANY, INC.
COMPUTATION OF RATES - STEP 3

Total Revenue Requirement Subject to Step 3 (Schedule 1)		\$ 791,256
Less: Annual Operating Revenue - WVG Community Pool		
Current Authorized Revenue Per Tariff		\$ 1,140.73
1 + 2.25 % Increase to WVG Community Pool	X	1.0225 (1,186.40)
Less: Annual Operating Revenue - Non-metered Customers		
Current Authorized Revenue Per Tariff		\$ 495.53
1 + 2.25% Increase to Non-metered Customers	X	1.0225
Revised Annual Rate per Non-metered Customer		506.68
Total Non-metered Customers (including Gunstock Glen)	X	574 \$ (290,834)
Revenue Requirement Collected through Minimum Charge and Consumption Charge		\$ 499,256
Calculation of Metered Rate: $X + Y(28,368 \text{ ccf (a)} \div 1,040 \text{ metered customers}) =$ (X = Minimum Charge; Y = Consumption Charge)		\$ 480.05 charge per customer
<u>Calculation of Present Proportion of Minimum Charge to Consumption Charge:</u> Present Annual Minimum Charge Per Tariff: (X)		\$ 365.01
Present Annual Consumption Charge Per Tariff (per 100 cu ft): (Y)		\div \$ 3.83
Proportion of Present Minimum Charge to Present Consumption Charge: $(X \div Y)$		<u>95.3</u>
<u>Calculation of Consumption Charge:</u>		
X + Y * 28,368 \div 1,040 =		\$ 480.05
Y * 95.3 + Y * 27.3 =		\$ 480.05
Y * 122.6 =		\$ 480.05
Y =		\$ 3.92
	*	28,368 =
		\$ (111,096)
Revenue Requirement Collected through Minimum Charge		\$ 388,159
<u>Calculation of Annual Minimum Charge:</u>		
X + Y * 28,368 \div 1,040 =		\$ 480.05
X + \$ 3.92 * 27.3 =		\$ 480.05
X + \$ 106.82 =		\$ 480.05
X =		\$ 373.23
	*	1,040 =
		\$ (388,159)
Remainder of Total Revenue Requirement Subject to Step 3		\$ -

a Conversion of Metered Consumption from Gallons to CCF:

2009 Total Consumption by Metered Customers (Gallons)		32,887,000 Gallons
Less: 2009 Suissevale Metered Consumption (Gallons)		<u>(11,666,000) Gallons</u>
2009 Consumption by Metered Customers subject to Step 3 (Gallons)		21,221,000 Gallons
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)		\div 748.05 Gallons
2009 Consumption by Metered Customers subject to Step 3 (CCF)		<u>28,368 CCF</u>

b Percentage Increase to Metered Customers

New Annual Metered Charge per Customer		\$ 480.05
Less: Annual Average Metered Charge per Customer per Current Tariff		
Metered Rate per Current Tariff		\$ 3.83
Average Annual Consumption per Metered Customer (CCF)	X	27.3 \$ 104.47
Annual Customer Rate per Current Tariff		<u>365.01 (469.48)</u>
Average Annual Increase per Metered Customer		<u>\$ 10.57</u>
Percentage Increase		<u>2.25%</u>