

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 09-128

LAKELAND MANAGEMENT COMPANY, INC.

Petition for Approval of Financing

Order Approving Modified Loan Terms

ORDER NO. 25,395

July 19, 2012

I. BACKGROUND

Lakeland Management Company, Inc. (Lakeland) is a regulated public utility that provides water and sewer service to approximately 156 and 152 customers, respectively, in a limited area in the Town of Belmont. On August 12, 2009, the Commission issued Order No. 25,003 approving a request by Lakeland for authority to borrow up to \$95,000 from the American Recovery and Reinvestment Act of 2009 (ARRA) program in order to finance capital improvements in its water system. *Lakeland Management Company, Inc.*, 94 NH PUC 422 (2009). Those improvements, including two concrete water storage tanks as well as variable frequency drives for two existing booster pumps, were included in Lakeland's rate base in its recently concluded rate case DW 10-306. *See Lakeland Management Company, Inc.*, Order No. 25,357 (May 1, 2012). The ARRA loan carried an annual interest rate of 2.34%, to be repaid over a ten year term, with 50% principal forgiveness.

On June 26, 2012, Staff filed a letter advising that Lakeland had informed Staff that the Department of Environmental Services (DES), which administers the ARRA loan under its existing State Revolving Loan Fund (SRF) program, had approved a new term of twenty years for the loan. Lakeland sought the longer term from DES in order to lower loan payments and

better enable it to repay the loan under its current revenue requirement. Lakeland explained to Staff that as a result of modifying the repayment term the interest rate on the loan will increase from 2.34% to 3.104%.

Staff recommends the Commission approve Lakeland's revised loan repayment terms. Staff agrees that extending the term will better enable Lakeland to repay the loan and that the longer term reduces, but does not eliminate the cash flow mismatch. Staff agreed that even though the interest rate has increased, Lakeland is still receiving a very favorable borrowing rate. Staff also noted that the loan continues to offer a 50% principal forgiveness which will further benefit Lakeland and its customers.

II. COMMISSION ANALYSIS

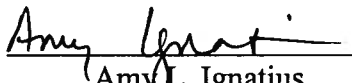
Pursuant to RSA 369:1, public utilities engaged in business in New Hampshire may issue evidence of indebtedness payable more than 12 months after the date thereof only if the Commission finds the proposed issuance to be "consistent with the public good." Analysis of the public good consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to insure the public good is protected. *See Appeal of Easton*, 125 N.H. 205, 211 (1984). As we have previously noted, "certain financing related circumstances are routine, calling for more limited Commission review of the purposes and impacts of the financing, while other requests may be at the opposite end of the spectrum, calling for vastly greater exploration of the intended uses and impacts of the proposed financing." *In re Public Service Company of New Hampshire*, Order No. 25,050, 94 NH PUC 691 (2009). Pursuant to RSA 365:28, the Commission may alter, amend, suspend, annul, set aside, or otherwise modify its orders.

We previously found that Lakeland’s request for approval of financing under the initial terms did not require the degree of scrutiny needed for less routine matters and that the use of the proceeds of the funds was reasonable and appropriate. The extension of the loan term and slight increase in the interest rate does not change our prior finding. Staff and DES support the loan. The proceeds of the financing have been found to be used and useful and are now in Lakeland’s rate base. The principal loan forgiveness provisions have not changed. We are aware of the issue of cash flow mismatch in loan repayment, where the fixed assets purchased or constructed with the loan proceeds typically have much longer service lives than the loan term. While the interest rate will be somewhat higher, any rate impact will not occur until Lakeland’s next rate case. The loan terms remain favorable and Lakeland’s customers will continue to benefit from 50% principal forgiveness. Having reviewed the filing and Staff’s recommendation, we find the modified terms to be reasonable and we will therefore approve the modified loan terms.

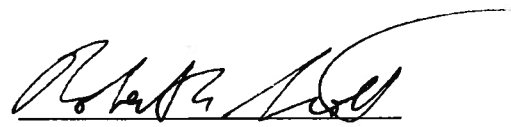
Based upon the foregoing, it is hereby

ORDERED, that the modified loan terms of Lakeland’s ARRA loan, originally approved in Order No. 25,003, are APPROVED.

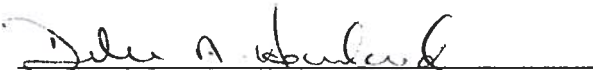
By order of the Public Utilities Commission of New Hampshire this nineteenth day of July, 2012.


 Amy C. Ignatius
 Chairman


 Michael D. Harrington
 Commissioner


 Robert R. Scott
 Commissioner

Attested by:


 Debra A. Howland
 Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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

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Docket #: 09-128-1 Printed: July 19, 2012

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.