

CHAIRMAN
Martin P. Honigberg

COMMISSIONERS
Kathryn M. Bailey
Michael S. Giaimo

EXECUTIVE DIRECTOR
Debra A. Howland

STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit St., Suite 10
Concord, N.H. 03301-2429

TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-2431

FAX No. 271-3878

Website:
www.puc.nh.gov

NHPUC 8MAY18PM4:23

May 8, 2018

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

RE: DW 15-209 Lakes Region Water Company, Inc.
Petition for Approval of Costs Related to Second Step Adjustment
Staff Recommendation for Approval

Dear Ms. Howland:

The purpose of this letter is to provide Staff's recommendation of Lakes Region Water Company's ("Lakes Region" or "Company") December 29, 2017 petition ("Petition") to recover the authorized return, depreciation expenses and applicable taxes associated with the Second Step Adjustment as stipulated in the Settlement Agreement (Agreement) authorized in Commission Order No. 25,969 (revised January 10, 2017) in Docket DW 15-209. Accordingly, Staff recommends a Second Step Adjustment reflecting an increase of \$28,937 or 2.77% to the revenue requirement.

According to the December 29, 2017 Lakes Region Petition, the estimated costs of the two additional capital projects were \$401,000 leading to an increase in the revenue requirement of \$22,903 or 2.20%. However, the final costs, according to the same Petition, were \$404,569 leading to an increase to the revenue requirement of \$27,016 or 2.59%. The Staff proposed increase of \$28,937 is explained below.

A Second Step Adjustment and the related financing was originally authorized in Order No. 25,969 with the condition the Company would seek final approval from the Commission before loan consummation. As detailed in Order No. 25,996 in Docket DW 16-854, Lakes Region was authorized to borrow \$265,000 from CoBank ACB at a rate not to exceed 6.60%. As detailed in the Petition, and verified by Staff, Lakes Region borrowed \$265,000 at a rate of 5.45% with an effective rate of 4.85% after accounting for annual CoBank Patronage Dividends of .6%. The Petition also details the use of internal cash to finance the remaining \$139,569 of the projects.

As a result of the inclusion of the internal cash into the financing of the Second Step Adjustment, the Company's Petition noted, and Staff verified, an updated Rate of Return on these two projects of 6.53%. As found on page 5 of Order No. 25,969, this figure is not out of line when

compared to the Company's existing cost of debt only financing of 4.31%, the cost of equity only financing at 9.6%, and the overall authorized Rate of Return on permanent rates of 7.7%. In addition, the inclusion of equity also requires the internal cash component of the financing to be grossed up to account for both State of NH and Federal income taxes. Staff has detailed this calculation in items (c) and (d) of Schedule 1a in the attachment Second Step Adjustment JPL-3 (JPL-3). Specifically, before accounting for the Property Owners Association of Suissevale, Inc. (POASI) Contract, Staff increased the revenue requirement by \$4,954.

With respect to the impact on the Special Contract with Suissevale as approved in Order No. 24,693 between the Company and POASI; Staff reviewed the calculations from the December 29, 2017 Petition and concluded the amounts did not reflect the tax gross-up due to the use of equity in the financing of the projects. Staff added the impact of the taxes and the Company concurs with the updated POASI revenue figure of \$16,514. Accordingly, all other aspects of the Agreement between Lakes Region and POASI, Inc. would continue as described in Docket DW 06-133.

In addition to the use of equity and the associated increase in taxes, Staff believes the Second Step Adjustment Petition amount should also be decreased to reflect the loss of depreciation associated with the assets replaced as outlined in the Audit Report and detailed in Schedules 2 and 3 of attachment JPL-3. The Audit Report detailed, and Staff highlights, that according to Lakes Region, they had inadvertently depreciated a number of Services over 30 years rather than the standard 40 years. Due to this, Staff has used 30 years when calculating the decrease in depreciation. Specifically, before accounting for the POASI Contract, Staff reduced the revenue requirement by \$726; \$290 for Paradise Drive and \$436 for Captain Lovewell Lane.

As detailed in Schedule 1 of attachment JPL-3, the new step increase of \$28,937 is calculated by subtracting the updated POASI Contract revenue of \$16,514 from the updated revenue requirement of \$45,451 which is derived from the addition of the state and federal income tax additions of \$4,954, the subtraction of depreciation associated with retired projects of \$726 and an increase in the Net Operating Income Requirement based upon a rate or return of 6.53%. Based on the Staff proposed \$28,937 step increase, and detailed in Schedules 3a and 3b of attachment JPL-4, compared to the test-year as described in DW 15-209, Lakes Region's updated rates would be:

<u>Customer Class</u>	<u>Annual</u>	<u>Quarterly</u>	<u>% Change</u>
WVG- Pool	\$1,717.28	\$429.32	18.21%
Unmetered General	\$739.56	\$184.89	18.22%
Metered General			
Customer Charge	\$581.70	\$145.42	17.68%
Meter Charge (per ccf)	\$5.66	\$5.66	17.68%

The Company's average customers who use approximately 27.89 hundred cubic feet (ccf) of water per year will have an annual bill of \$739.56 (\$184.89 quarterly) compared to a current bill of \$722.28 (\$180.57 quarterly). This translates to an increase of approximately \$4.34 per quarter or \$1.45 per month.

In conclusion, Staff reviewed the Petition and the related Audit Report and believes the final cost of \$404,569 was adequately supported and the projects were placed in service and used and useful by December 31, 2017 and the Company properly filed their Petition by December 31, 2017. Staff reached out to Lakes Region and the OCA regarding Staff's position and received the concurrence of Lakes Region but did not receive any response from the OCA. Based upon this, Staff recommends the Commission approve the addition of \$28,937 (2.77%) to Lakes Region's revenue requirements and the resulting rates as outlined above.

Thank you for your assistance and attention regarding this matter. If you have any questions, do not hesitate to contact me.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Anthony J. Leone', written in a cursive style.

Anthony J. Leone
Utility Analyst

cc: Service List

DW 15-209
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF SECOND STEP ADJUSTMENT
COMPANY RESPONSES TO STAFF DATA REQUESTS – SET 5

Date Request Received: 3/23/18

Date of Response: 4/6/18

Request No. Staff 5-1

Witness: Stephen P. St. Cyr

Request: Settlement Attachment JPL 3 as filed with the Commission on December 29, 2017:
Please provide ALL schedules in Microsoft Excel format with formulas intact.

Response: See attached schedules in Microsoft Excel format with formulas intact.

DW 15-209
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF SECOND STEP ADJUSTMENT
COMPANY RESPONSES TO STAFF DATA REQUESTS – SET 5

Date Request Received: 3/23/18

Date of Response: 4/6/18

Request No. Staff 5-2

Witness: Stephen P. St. Cyr

Request: Schedule 1a of Settlement Attachment JPL 3 as filed with the Commission on December 29, 2017: Please provide documentation supporting the \$3,233 in financing costs included in the final loan figures of line (b) of the attachment.

Response: As of 3/30/18, the financing costs amount to \$3,140.19. See attached documentation.

Lakes Region Water Company, Inc.
General Ledger Detail Transaction Report
Fiscal Year 2015 - 2016

Account Number	Account Description	AM	Journal Date	Type/Num	Reference	Budget Amount	Debit	Credit	Enc/Liq	Act Exp
YEAR FORWARD BALANCE										\$0.00
St Cyr, Stephen P DSCB1605 2016 DS Fin. Cost		5	5/31/2016	AP9090	Vendor#: 10032	\$0.00	\$218.75	\$0.00	\$0.00	
Actual DS Acquisition Expense		5	5/31/2016	JE9144	Reclass to 50-153-186-7 DS Acquisition Cost	\$0.00	\$0.00	\$218.75	\$0.00	
				Mth 5 Total		\$0.00	\$218.75	\$218.75	\$0.00	\$0.00
St Cyr, Stephen P October 2016		10	10/31/2016	AP9982	Vendor#: 10032	\$0.00	\$192.71	\$0.00	\$0.00	
St Cyr, Stephen P October 2016		10	10/31/2016	AP9982	Vendor#: 10032	\$0.00	\$192.71	\$0.00	\$0.00	
St Cyr, Stephen P October 2016		10	10/31/2016	AP9982	Vendor#: 10032	\$0.00	\$192.70	\$0.00	\$0.00	
				Mth 10 Total		\$0.00	\$578.12	\$0.00	\$0.00	\$578.12
St Cyr, Stephen P November Invoice		11	12/6/2016	AP10139	Vendor#: 10032	\$0.00	\$1,546.87	\$0.00	\$0.00	
				Mth 11 Total		\$0.00	\$1,546.87	\$0.00	\$0.00	\$1,546.87
St Cyr, Stephen P Dec 2016		12	12/31/2016	AP10398	Vendor#: 10032	\$0.00	\$93.75	\$0.00	\$0.00	
Upton & Hatfield LLP 128073 120125-1 POISI, Cobank Step 2, Timber Issue		12	12/31/2016	AP10431	Vendor#: 50072	\$0.00	\$92.50	\$0.00	\$0.00	
Upton & Hatfield LLP 128073 120125-1 POISI, Cobank Step 2, Timber Issue		12	12/31/2016	AP10431	Vendor#: 50072	\$0.00	\$92.50	\$0.00	\$0.00	
				Mth 12 Total		\$0.00	\$278.75	\$0.00	\$0.00	\$278.75
YTD Total for 50-155-181-3	Unamot. Debt Exp- Cobank (Step 2)					\$0.00	\$2,622.49	\$218.75	\$0.00	\$2,403.74
Total for Fund 50						\$0.00	\$2,622.49	\$218.75	\$0.00	\$2,403.74
Grand Total						\$0.00	\$2,622.49	\$218.75	\$0.00	\$2,403.74

Reclass 2017 to Expense. Timber Issue. \$92.50
2311.2

Lakes Region Water Company, Inc.

181.03 COBANK STEP 2

January 1, 2017 - March 30, 2018

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	AMOUNT	BALANCE
181 Unamort Debt-Deff. Debt						
181.03 Cobank (Step 2)						
Beginning Balance						2,403.74
04/30/2017	Bill	129231	Upton & Hatfield, LLP	Step 2 Loan Cobank File#120125-1	279.50	2,683.24
08/31/2017	Bill	130639	Upton & Hatfield, LLP	120125-1 Cobank Step 2	549.45	3,232.69
12/21/2017	Journal Entry	AP10431		Reclass to 923.03 Timber expense not Step2 Cobank	-92.50	3,140.19
Total for 181.03 Cobank (Step 2)					\$736.45	
Total for 181 Unamort Debt-Deff. Debt					\$736.45	
TOTAL					\$736.45	

Upton & Hatfield, LLP

10 Centre Street
P. O. Box 1090
Concord, NH 03302-1090
T 603-224-7791
F 603-224-0320

8 School Street
P. O. Box 13
Hillsborough, NH 03244-0013
T 603-464-5578
F 603-464-3269

159 Middle Street
Portsmouth, NH 03801
T 603-436-7046
F 603-369-4645



Thomas Mason, Sr.
Lakes Region Water Company
PO Box 389
Moultonborough, NH 03254

Statement #: 130639
August 31, 2017
File #: 120125-1

RE: General Advice

Responsible Attorney: Justin C. Richardson

PLEASE DISREGARD
IF PREVIOUSLY PAID

CURRENT OUTSTANDING BALANCE:

\$2,224.50

08-02-17	JCR	Email to S. Hoople re: title for CoBank loans.	0.10
08-03-17	JCR	Emails to/from S. Hoople re: title report post-closing opinion on CoBank loans (IBM, Paradise Drive). emails to/from S. Gulinson at CoBank. Review title reports.	0.50
08-07-17	JCR	Review Markus Foundation expense disclosure.	0.50
08-07-17	JCR	(No charge.) Background research on Markus Foundation experts. Email to company.	0.50
08-08-17	JCR	Telephone call to L. Gormley; telephone conference with T. Mason re: Markus Foundation.	0.20
08-08-17	JCR	Review Indian Mount title, declarations.	0.50
08-10-17	JCR	Email to L. Valladares re: follow up on Indian Mound deeds, water easement, etc.	0.20
08-14-17	JCR	Prepare post closing opinion for CoBank. Review liens status. Prepare spreadsheet of liens released v. liens recorded. Review corporate records and resolutions. Finalize post-closing opinion and email to CoBank and Lakes Region.	2.50

TOTAL HOURS:

5.00

TOTAL PROFESSIONAL SERVICES:

\$832.50

DISBURSEMENTS:

08-03-17	Freedom Title Services, LLC	
	Title Search Mt. Roberts Parcel	150.00
08-08-17	Expense Recovery	
	Copy of Records Carroll County Registry of Deeds	52.00

150.00

52.00

166.50 per letter 9/3/17

5.00

\$832.50

Step 2

3.30 x 166.50 = 549.75

283.00 Gen

Upton & Hatfield, LLP

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F 603-224-0320

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Hillsborough, NH 03244-0013
T 603-464-5578
F 603-464-3269

159 Middle Street
Portsmouth, NH 03801
T 603-436-7046
F 603-369-4645

Thomas Mason, Sr.
Lakes Region Water Company
PO Box 389
Moultonborough, NH 03254

Statement #: 129231
April 30, 2017
File #: 120125-1

RE: General Advice

Responsible Attorney: Justin C. Richardson

PLEASE DISREGARD
IF PREVIOUSLY PAID

CURRENT OUTSTANDING BALANCE:

\$5,720.50

04-03-17	JCR	Telephone conference with L. Valladares re: approval of CoBank loans. Tariff.	0.10
04-04-17	JCR	Time on CoBank opinion to counsel. Email to L. Valladares re: Company good standing certificate expired. Telephone conference with L. Valladares re: same. Email re: Board of Directors minutes.	0.50
04-05-17	JCR	Emails to/from L. Valladares re: opinion of counsel.	0.10
04-10-17	JCR	Finalize opinion of counsel letter. Review, confirm Secretary of State good standing; confirm PUC no appeals.	0.50
04-11-17	JCR	Emails to/from M. Maikoetter, L. Valladares re: closing, opinion of counsel.	0.10
04-14-17	PWL	Review correspondence and documents from CoBank; correspondence to Attorney Richardson regarding same	0.20

TOTAL HOURS:

1.50

TOTAL PROFESSIONAL SERVICES:

\$279.50

TOTAL STATEMENT:

\$279.50

TOTAL - OUTSTANDING:

\$6,000.00

Please remit to the Concord office.

Federal ID#: 02-0218790

PAYABLE UPON RECEIPT
THANK YOU

50- 181.83-
Step 2 Loan
mzs Cobank (step 2)

Stephen P. St. Cyr & Associates

17 Sky Oaks Drive

Biddeford, Me. 04005

207-423-0215

stephenpstcyr@yahoo.com

<u>Date</u>	<u>Description</u>	<u>Hours</u>
<u>2015 Year End / Other</u>		
10/28	Talk w/Leah re: Step 1 audit	0.25
10/31	Review draft audit finds; Review email re: Co resp	<u>0.50</u>
Total		<u>0.75</u>
Note:	Please charge these costs to PUC Acct. 923, Outside Services.	
<u>2015 Rate Case</u>		
10/04	Talk /wTom re: set agr / sch; Review set agr; Tie cert amt into att; Prepare Email re: temp / perm diff & step 1 cap struct	1.375
10/05	Review email; Talk w/Leah	0.25
10/10	Review hearing Q & A; Review var emails re: same	1.00
10/11	Review / Resp to hearing Qs; Review resp; Prepare email re: same; Review / Reply to email re: same	3.25
10/12	Prep for & part in hearing	3.50
10/13	Review notes	0.50
10/14	Review letter withdrawing Mt. R fin	<u>0.25</u>
Total		<u>10.875</u>
Note:	Please charge these costs to PUC Acct. 186, Miscellaneous Deferred Debits, 2015 Rate Case.	
<u>2016 Dockham Shores</u>		
10/04	Talk /wTom re: hearing; Review pet / exh; Review set agr; Prepare email re: Same; Talk w/Leah re: same	1.625
10/05	Prepare email re: hearing Qs; Review Co. costs	0.50
10/06	Review email; Review Qs for hearing; Reply to same; Talk w/Justin re: hearing; Prep for hearing; Review Pet / exh; Review Exh D / SPS sch	2.00
10/07	Part in hearing	<u>2.00</u>
Total		<u>6.125</u>
Note:	Please charge these costs to new account, PUC Acct. 186, 2016 Miscellaneous Deferred Debits – 2016 Acquisition / Financing Costs for Dockham Shores	
<u>2016 Financing</u>		
10/07	Talk w/Tom re: fin	0.25
10/11	Talk w/Tom re: fin	0.25
10/20	Prepare email re: add'l proj / costs	0.25
10/21	Review / Reply to email re: add'l proj / costs	0.25
10/22	Prepare fin sch; Prepare email re: same	2.25
10/25	Review email re: CoBank terms	0.125
10/26	Talk w/Tom re: CoBank	0.25
10/28	F/U on email re: CoBank costs / ret costs; Talk w/Leah re: same	0.50
10/31	Review / Reply to email re: CoBank terms; Review CoBank terms	<u>0.50</u>
Total		<u>4.625</u>
Note:	Please charge these costs to PUC Acct. 181, Unamortized Debt Expense, 2016 CoBank Financing ... Dockham, Paradise Drive & Lovewell Lane	
Grand Total		<u>22.375</u>

SPSt. Cyr

10/07/16

Stephen P. St. Cyr & Associates

17 Sky Oaks Drive

Biddeford, Me. 04005

207-423-0215

stephenpstcyr@yahoo.com

<u>Date</u>	<u>Description</u>	<u>Hours</u>
<u>2015 Year End / Other</u>		
11/21	Talk w/Justin re: POASI meter	0.25
Total		0.25
Note:	Please charge these costs to PUC Acct. 923, Outside Services.	
<u>2015 Rate Case</u>		
11/01	Talk w/Leah; Review audit finds; Review related text; Review Co. resp; Prepare email re: same	0.75
11/28	Review PUC order; Prepare email re: same; Review email re: same	0.75
11/30	Talk w/Justin re: RC exp; Review email re: RC exp	0.50
Total		2.00
Note:	Please charge these costs to PUC Acct. 186, Miscellaneous Deferred Debits, 2015 Rate Case.	
<u>2016 Dockham Shores</u>		
11/14	Talk w/Leah re: PUC approval; Review PUC order	0.625
11/18	Review PUC order; Prepare email re: same	0.25
Total		0.875
Note:	Please charge these costs to new account, PUC Acct. 186, 2016 Miscellaneous Deferred Debits - 2016 Acquisition / Financing Costs for Dockham Shores	
<u>2016 Financing</u>		
11/01	Review email re: fin costs	0.25
11/02	Update fin cost; Update source & use; Update cost rates; Update prel calc of Rev req; Update JEs; Update B/S; Update cap struct; Review same	1.00
11/03	Review fin sch; Prepare email re: same; Review / Reply to email re: bank fin; Talk w/Tom re: status, etc.	1.00
11/04	Review / Reply to email re: fin sch	0.25
11/07	Talk w/Tom re: APIC / Fin / Rates; Review same	0.75
11/08	Review email re: fin costs; Reply to same; Review email re: same; Talk w/Leah; Prepare test	2.00
11/10	Review fin changes; Make minor changes; Prepare email re: same	0.50
11/14	Talk w/Leah re: fin	0.125
11/18	Revise fin sch to elim Dock; Review same; Review rev req; Make change; Reply to email	2.25
11/21	Review email; Incorp com into test; Draft test re: background; Prepare email re: same; Review petition; Update same; Prepare email re: same; Talk w/ Leah re: pet / test	2.75
11/23	Review email re: com; Incorp com into pet; Review pet/ test; Update test; Prepare / Review cover letter; Conduct "final" review; Prepare email re: same	1.50
Total		12.375
Note:	Please charge these costs to PUC Acct. 181, Unamortized Debt Expense, 2016 CoBank Financing ... Paradise Drive & Lovewell Lane	
<u>Grand Total</u>		
Step 2 ADS.		15.50

SPSt. Cyr
12/02/16

Stephen P. St. Cyr & Associates

17 Sky Oaks Drive

Biddeford, Me. 04005

207-423-0215

stephenpstcyr@yahoo.com

BY:

<u>Date</u>	<u>Description</u>	<u>Hours</u>
<u>Year End / Other</u>		
12/02	Talk w/Leah re: YE	0.25
12/21	Talk w/Leah re: YE	0.25
12/29	Talk w/Leah re: abandon prop	0.25
Total		0.75

Note: Please charge these costs to PUC Acct. 923, Outside Services.

2015 Rate Case

12/01	Review email re: RC exp; Review revised pg 2 to PUC order; Review email; Review 2015 / 2016 RC exp sch; Review DW 15-209 Paid / Open sch	0.75
12/02	Review 2015/2016 RC exp sch; Review DW15-209 Paid / Open sch; Talk w/ Leah re: same	0.50
12/05	Review PUC order; Verify amts/%s; Review Staff's rec on Step 1; Prepare email re: same; Prepare Dec. 2016 - Feb. 2017 est; Prepare email re: same	2.50
12/06	Review revised tariff; Review notice to cust; Rewrite notice; Prepare email re: same; Talk w/Leah re: notice to cust	2.25
12/07	Review email re: PUC order; Talk w/Leah re: temp/perm diff	0.50
12/21	Review RC exp; Prepare email re: same; Talk w/Justin re: same; Review temp/ Perm diff; Talk w/Leah re: same; Talk w/Leah re: temp/perm diff	2.00
12/22	Review set agr; Review PUC order; Prepare email re: temp/perm diff; Review temp/perm diff	2.00
12/27	Prepare email re: temp/perm diff, RC exp, Summary & cover letter; Talk w/ Leah; Review surcharge sch; Reply to email re: same	0.75
12/29	Review "final" submission; Prepare email re: same; Review email re: RC exp docs; Talk w/Leah re: same	0.75
Total		12.00

Note: Please charge these costs to PUC Acct. 186, Miscellaneous Deferred Debits; 2015 Rate Case.

2016 Dockham Shores

12/19	Review email re: drop box; Review Co. resp; Reply to email re: same	0.375
Total		0.375

Note: Please charge these costs to new account, PUC Acct. 186, 2016 Miscellaneous Deferred Debits - 2016 Acquisition / Financing Costs for Dockham Shores

2016 Financing

12/07	Talk w/Tom re: int rate; Review / Reply to email re: int rate assoc w/ Dockham & Step 2; Talk w/Leah re: CoBank loan - int rates	0.75
Total		0.75

Note: Please charge these costs to PUC Acct. 181, Unamortized Debt Expense, 2016 CoBank Financing ... Paradise Drive & Lovewell Lane Step 2

Grand Total

SPSt. Cyr
01/13/17

2016 P5001 2017 / M001

13.875
X 125
\$ 1734.38

Upton & Hatfield, LLP

10 Centre Street
P. O. Box 1090
Concord, NH 03302-1090
T 603-224-7791
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F 603-464-3269

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Portsmouth, NH 03801
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F 603-369-4645

Thomas Mason, Sr.
Lakes Region Water Company
PO Box 389
Moultonborough, NH 03254

Statement #: 128073
December 31, 2016
File #: 120125-1

RE: General Advice

Responsible Attorney: Justin C. Richardson

PLEASE DISREGARD
IF PREVIOUSLY PAID

CURRENT OUTSTANDING BALANCE:

\$2,862.00

12-05-16 JCR	Telephone conference with L. Valladares re: Suissevale Dig Safe notification.	0.50
12-05-16 JCR	Research law, legislative records re: Suissevale regulation as public water system; interconnection with Lakes Region. Email to Company.	1.00
12-05-16 JCR	(No charge.) Additional research on Suissevale issues. Revise PUC filings, testimony.	2.00
12-05-16 JCR	Prepare response to D. Patch re: Suissevale. Email to T. Mason and L. Valladares for review.	0.50
12-06-16 JCR	Email to/from B. Brivn re: Step 2 financing issues, interest rate, PUC approval.	0.50 — 92.50
12-06-16 JCR	Right-to-know request to M. Naylor to review Suissevale exemption.	0.10
12-06-16 JCR	Email to D. Patch re: response pending to Suissevale's proposal.	0.10
12-06-16 JCR	Research, prepare file re: Suissevale master meter - ownership.	0.50
12-07-16 JCR	(No charge.) Telephone conference with T. Mason re: Suissevale, financing. Telephone conference with L. Valladares re: same.	0.50
12-08-16 JCR	Research DES violation notices to Suissevale re: extension of main to State's landing. Telephone conference with L. Valladares. Email to L. Valladares. Research, copy easement deeds re: Shannon Brook.	1.00
12-14-16 JCR	Review Markus Foundation v. Lakes Region. Email complaint to Leah and Tom.	0.50 — 92.50

DW 15-209
LAKES REGION WATER COMPANY, INC.
PETITION FOR APPROVAL OF SECOND STEP ADJUSTMENT
STAFF DATA REQUESTS – SET 6

Date of Request Received: April 4, 2018
Request No. Staff 6-1

Date of Response: 04/06/2018
Witness: Leah Valladares

REQUEST: Settlement Attachment JPL 3 filed with the Commission on December 29, 2017: Please provide an explanation and supporting materials for the use of a .60% (60 basis point) reduction in the loan interest rate relative to patronage dividends rather than the .75% reduction agreed to and approved in the Settlement Agreement.

RESPONSE:

SEE ATTACHED COBANK NEWS RELEASE



NEWS RELEASE

CoBank Announces Changes To Capital Plans And Patronage Programs For Customer-Owners

DENVER (August 28, 2017) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced changes to its capital plans and patronage programs for eligible customer-owners.

The changes, which take effect in 2018 for patronage distributed in 2019, include reductions in targeted patronage levels and the creation of a separate capital plan for rural electric and water customers. The changes are designed to strengthen CoBank's long-term capacity to serve customers' borrowing needs, enhance the bank's ability to capitalize future customer growth, and ensure equitability among different customer segments.

"Our board has been working with executive management for close to a year to conduct a comprehensive analysis of the capital plans and patronage programs currently in place at CoBank," said Everett Dobrinski, chairman of the board of directors. "We believe strongly that patronage is a key component of the value proposition we offer our customers, and that these changes strike an appropriate balance between delivering strong patronage returns to our member-owners and maintaining financial strength to serve our customers for the long term."

"This is a necessary and prudent step given overall profitability trends in the banking industry that have impacted our business over the past several years, including lower margins, extremely low interest rates, and increased regulatory costs," said Thomas Halverson, CoBank's president and chief executive officer. "Making these changes now will strengthen the sustainability of our patronage and its centrality to CoBank's value proposition for our customers, while ensuring our ability to fulfill our mission and continue serving as a dependable financial partner for the long term."

Summary of capital plan and patronage program changes

CoBank maintains several capital plans and patronage programs for its various customers and commercial partners. Under CoBank's current capital plans for cooperative and other eligible direct borrowers, the targeted patronage rate is 100 basis points of current year average loan volume, of which 75 percent is paid in cash and 25 percent is paid in common stock. The target is neither a minimum nor maximum expected patronage dividend but rather the bank's estimate as to what it expects to be able to distribute consistent with its bylaw obligation to distribute net savings to eligible patrons while maintaining reasonable reserves for CoBank's future needs. Separate plans maintained by CoBank's Farm Credit Bank subsidiary govern patronage on wholesale loans to affiliated Farm Credit associations, loans purchased from Farm Credit institutions, and transactions with non-affiliated Farm Credit institutions and other financing institutions.

Pursuant to the changes approved by the board, CoBank will create two separate capital plans for cooperative and other eligible direct borrowers under which targeted patronage levels and cash/equity

splits will be more equitably balanced between the earnings generated by different customer portfolios and the use of the bank by its patronage-eligible members. Agribusiness, communications and project finance customers will be in one pool; rural electric and water customers will be in another. In addition, target patronage levels for all customers and partners will be reduced.

Capital plans and patronage programs for each customer or loan type are summarized in the following table:

Customer or loan type	Equity requirement ¹	Target patronage level – former plan ²	Target patronage level – new plan ²	Cash/equity split – former plan ³	Cash/equity split – new plan ³
Agribusiness, communications & project finance	8%	100 bps	95 bps	75% / 25%	75% / 25%
Rural electric & water	8%	100 bps	80 bps	75% / 25%	60% / 40%
Loans purchased from other Farm Credit institutions	8%	100 bps	95 bps	75% / 25%	75% / 25%
Farm Credit affiliates	4%	45 bps	36 bps	100% / 0%	100% / 0%
Non-affiliated Farm Credit and other financing institutions	4%	45 bps	26 bps	20% / 80%	20% / 80%
¹ Cooperatives and other eligible direct borrowers fulfill their equity requirement over time through the equity portion of their annual patronage distributions, as do loans purchased from other Farm Credit institutions, and non-affiliated Farm Credit and other financing institutions. Affiliated Farm Credit associations capitalize their wholesale loans from the bank in full on an annual basis.					
² Target patronage is defined as the number of basis points (bps) of current-year average loan volume for eligible borrowers.					
³ Once borrowers reach their target equity requirement, they effectively receive 100 percent of their patronage distribution in cash.					

For cooperatives and other eligible direct borrowers as well as for loans purchased from other Farm Credit institutions, the new target patronage levels take effect in the 2018 calendar year and will be reflected in patronage distributions made in March 2019. Meanwhile, affiliated associations and non-affiliated Farm Credit and other financing institutions will transition to their new targeted patronage levels over a multi-year period ending in 2020. As always, any patronage distributions are subject to approval by CoBank's board of directors.

No changes are being made to target equity requirements for any borrower or commercial partner.

Business rationale for capital plan and patronage program changes

Dobrinski and Halverson noted that the capital and patronage changes approved by the board are designed to position CoBank for long-term success and address a number of marketplace challenges. Those challenges include:

- Higher minimum regulatory capital requirements under Farm Credit Administration regulations that took effect in 2017, in addition to other increased regulatory costs in recent years.
- A prolonged low interest rate environment that has impacted CoBank's returns on invested capital.
- Decreased returns on equity and assets driven by low interest rates and low credit spreads. The bank's return on common equity has declined from 15.16 percent in 2012 to 12.40 percent in 2016, and its return on average assets has declined from 0.94 percent to 0.78 percent over the same period.
- Declining spreads and net interest margin driven by intense competition in the banking industry. CoBank's net interest margin has declined from 1.41 percent in 2012 to 1.14 percent in 2016.
- Low and declining spreads in the rural utilities sector, particularly for rural electric and water loans.

"Virtually every financial institution in the country has been dealing with declining margins and increased regulatory costs in recent years," Halverson said. "CoBank's financial performance has been consistently strong, and we have been successful in continuing to fulfill our mission while maintaining solid levels of

capitalization. Looking forward, however, it's clear we must continue to generate sufficient retained earnings to ensure we have the capital in place to support our customers' growth and fulfill our mission in rural America."

"Our customers' foremost concern is that we remain a dependable source of credit, in good times and bad and regardless of conditions in the market," Dobrinski said. "We hope our customers will understand that this decision has been made with their long-term interests in mind, and that they will support this change which will safeguard the future financial strength and mission service capabilities of CoBank."

Webinar on capital plan and patronage program changes for customer-owners

CoBank will hold a one-hour webinar about the capital plan and patronage program changes for all active borrowers on Wednesday, August 30, 2017, at 2 p.m. Mountain Time. Dobrinski, Halverson and Chief Financial Officer David Burlage will provide further detail about the changes and also answer questions from customers.

To join via phone, call 833-659-7625 and use passcode 71556320. To join via the Internet, click [here](#) or visit the "Newsroom & Financials" section of the CoBank web site.

About CoBank

CoBank is a \$125 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving farmers, ranchers and other rural borrowers in 23 states around the country.

CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit the bank's web site at www.cobank.com.

Forward-Looking Statements

Certain of the statements contained in this news release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual future business may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as "believe," "expect," "anticipate," "intend," "estimate," "plan," "project," "target," "may," "will," "should," "would," "could," or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized. These forward-looking statements are based on current knowledge and subject to risks and uncertainties. We encourage you to read our Annual Report and Quarterly Reports located on the bank's website at www.cobank.com. We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

Contact

Arthur Hodges
Senior Vice President, Corporate Communications
303-740-4061
ahodges@cobank.com

Jo Solonika
Vice President, Corporate Communications
720-583-9180
jsolonika@cobank.com

DW 15-209
LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF STEP ADJUSTMENT

Account		Paradise Dr Main / Svc Replacement Project (Sch 2)	Captain Lovewell Ln Main / Svc Replacement Project (Sch 3)	Total
331	Transmission & Distribution Mains	\$ 128,710	\$ 114,256	\$ 242,966
333	Services	108,036	53,567	161,603
Total Plant Additions		236,746	167,823	404,569
Less: 1/2 Year Depreciation		(2,638)	(1,812)	(4,450)
Net Plant Additions		234,108	166,011	400,119
Rate of Return (Schedule 1a)		x 6.53% x	6.53% x	6.53%
Increase in Net Operating Income Requirement		15,284	10,838	26,122
Add: Annual Depreciation Expense		5,275	3,624	8,899
Add: Annual Property Tax Expense		2,564	3,637	6,201
Add: Annual Income Tax Expense		2,899	2,056	4,954
Less: Annual Depreciation Expense- Retired Assets		(290)	(436)	(726)
Increase in Revenue Requirement		\$ 25,732	\$ 19,720	\$ 45,451
Less: Increase in POASI Special Contract (Schedule 4a)				(16,514)
Step Increase				\$ 28,937
Test Year Revenues Earned from General Customers (Att JPL-1 / Sch 3)				\$ 1,043,143
% Increase in Annual Water Revenues from General Customers				2.77%

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
RATE OF RETURN

	Amount	Weighted Average	Interest Rate	Annual Interest	Annual Amortization of Finance Cost	Total Annual Cost of Debt	Annual Cost Rate	Weighted Average Rate
CoBank Loan (Paradise Drive Main & Service Replacement Project)	\$ 85,228		4.85% (a)	\$ 4,134	\$ 67 (b)	\$ 4,201	4.93%	
CoBank Loan (Capt Lovewell Ln Main & Service Replacement Project)	179,772		4.85% (a)	8,719	95 (b)	8,814	4.90%	
Total New Debt Service	\$ 265,000	65.5%		\$ 12,853	\$ 162	\$ 13,014	4.91%	3.22%
Internal Cash	\$ 139,569	34.5%					9.60%	3.31%
Total	\$ 404,569	100.0%						6.53%

(a) Interest rates on CoBank loan reflects a 60 basis point per annum reduction relative to the Co's participation in CoBank's Patronage Program.
(5.45% - 0.60% = 4.85%)

(b) Calculation of projected amortization of finance costs based on Co's response to Tech 5-4:
Estimated 2016 CoBank Financing Costs:

Loan Term (Years)
Annual Amortization of Finance Costs

Allocation of Annual Amortization Cost amongst 2016 Projects:

2016-17 Dockham Shores Purchase / Upgrades
2016-17 Paradise Drive Main & Service Replacement Project
2016-17 Capt Lovewell Ln Main & Service Replacement Project
Total

CoBank Origination Fee		\$	-	
Legal Fees			1,014	
Consultant Fees			2,219	
Total			<u>3,233</u>	
			20	
			<u>\$ 162</u>	
			↓	
			Allocation of	
			Ann'l Amort	
				Ann'l Amort
				Step Adj
Project Cost	% of Total			
<u>\$ -</u>	<u>0.00%</u>	<u>\$ -</u>		
167,823	41.48%	67	→	67
<u>236,746</u>	<u>58.52%</u>	<u>95</u>	→	<u>95</u>
<u>\$404,569</u>	<u>100.00%</u>	<u>\$ 162</u>		<u>\$ 162</u>

(c) Weighted Tax Effect Due to Use of Equity

	Weighted Cost	Tax Multiplier	Pre-Tax Cost	Tax Gross-Up
New Debt	3.22%	1.00	3.22%	0.00%
Internal Cash (Equity)	3.31%	1.37	4.55%	1.24%
Total	6.53%		7.77%	1.24%

(d) Calculation of Tax Multiplier and Effective Tax Rate

Taxable Income	100.00%	Income Available to FIT	100.00%
Less NHBPT	-7.90%	Less Effective Tax Rate	27.24%
Fed. Taxable Income	92.10%	Diviser for Rev Req.	72.76%
Fed. Tax Rate	21.00%		
Effective FIT Rate	19.34%	Effective Tax rate	27.24%
Add NHBPT	7.90%	Diviser	72.76%
Effective Tax Rate	27.24%	Tax Multiplier of Equity	37.44%

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS

ANALYSIS OF PROJECTED PARADISE DRIVE MAIN AND SERVICE REPLACEMENT PROJECT

Account	Description	Estimated Cost	Depreciation Rate	Annual Depreciation Expense	One-Half Year Depreciation	Combined Property Tax Rate (e)	Tax Value as % of Net Book (Att JPL-1; Sch 12)	Annual Property Tax Expense
331	Transmission & Distribution Mains	\$ 128,710	2.00%	\$ 2,574	\$ 1,287	\$ 12.53	87.40%	\$ 1,395
333	Services	108,036	2.50%	2,701	1,350	12.53	87.40%	1,168
Total		\$ 236,746		\$ 5,275	\$ 2,638			\$ 2,564

- (e) 2017 Municipal Tax Rate - Moultonborough, NH
State Utility Tax Rate
Combined Property Tax Rate

\$ 5.93
6.60
\$ 12.53

- (f) Calculation of Annual Depreciation of Retired Assets

Description	Acquisition Date	Service Life	Estimated End of Service	Book Cost	Annual Depreciation
Services*	1996	30	2026	\$ 4,380	\$ 146
Mains	1973	50	2023	\$ 7,200	\$ 144
					\$ (290)

* Standard service life is 40 years. LRWC used 30 years. Therefore decrease in depreciation is based on 30 years.

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS

ANALYSIS OF PROJECTED CAPTAIN LOVEWELL LANE MAIN AND SERVICE REPLACEMENT PROJECT

Account	Description	Estimated Cost	Depreciation Rate	Annual Depreciation Expense	One-Half Year Depreciation	Combined Property Tax Rate (g)	Tax Value as % of Net Book (Att JPL-1; Sch 12)	Annual Property Tax Expense
331	Transmission & Distribution Mains	\$ 114,256	2.00%	\$ 2,285	\$ 1,143	\$ 25.07	87.40%	\$ 2,478
333	Services	53,567	2.50%	1,339	670	25.07	87.40%	1,159
Total		\$ 167,823		\$ 3,624	\$ 1,812			\$ 3,637

(g)	2017 Municipal Tax Rate - Ossipee, NH	\$ 18.47
	State Utility Tax Rate	6.60
	Combined Property Tax Rate	\$ 25.07

(h)	Calculation of Annual Depreciation of Retired Assets					
Description	Acquisition Date	Service Life	Estimated End of Service	Book Cost	Annual Depreciation	
Services*	1993	30	2023	\$ 2,376	\$ 79	
Mains**	Multiple	50	Multiple	\$ 17,838	\$ 357	
					\$ (436)	

* Standard service life is 40 years. LRWC used 30 years. Therefore decrease in depreciation is based on 30 years.

** Multiple CPR's were covered, and LRWC used the average book cost of all available.

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT
SUMMARY

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
Pre-Tax Revenue Requirement (Schedule 4b)	\$ 18,183	\$ -	\$ -	\$ -	\$ 18,183
Total Operating Expenses (Schedule 4d)	7,035	-	-	-	7,035
Less: Other Operating Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues to be Collected via All Water Rates	<u>\$ 25,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,218</u>
Revenues Specific to POASI Special Contract	<u>\$ 25,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u></u>	<u>\$ 25,218</u>
	<u>CCF Usage</u>	<u>Customers</u>	<u>Customers</u>		
POASI	16,090	1	1		
Paradise Shores	8,480	392	-		
Total	<u>24,570</u>	<u>393</u>	<u>1</u>		
Rates	<u>\$ 1.03 /ccf</u>	<u>\$ - /cust</u>	<u>\$ -</u> POASI only		
Revenues:					
POASI	\$ 16,514	\$ -	\$ -	\$ -	\$ 16,514
Paradise Shores	8,704	-	-	-	8,704
Total	<u>\$ 25,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,218</u>

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT
REVENUE REQUIREMENT

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
NET PLANT IN RATE BASE:					
Total Utility Plant in Service (Schedule 4c)	236,746	-	-	-	236,746
Less: Accumulated Depreciation (Schedule 4c)	(2,638)	-	-	-	(2,638)
Net Utility Plant in Service	234,108	-	-	-	234,108
Contributions in Aid of Construction (CIAC)	-	-	-	-	-
Less: Accumulated Amortization - CIAC	-	-	-	-	-
Net Contributions in Aid of Construction	-	-	-	-	-
Net Utility Plant in Rate Base	234,108	-	-	-	234,108
WORKING CAPITAL IN RATE BASE:					
Materials and Supplies	-	-	-	-	-
Prepayments - Other	-	-	-	-	-
Prepaid Taxes	-	-	-	-	-
Deferred Assets	-	-	-	-	-
Customer Deposits	-	-	-	-	-
Accumulated Deferred Income Taxes - Depreciation	-	-	-	-	-
Subtotal	-	-	-	-	-
Calculation of Cash Working Capital:					
Operation & Maintenance Expenses	-	-	-	-	-
Cash Working Capital % (75 days ÷ 365 days)	x 20.55%	x 20.55%	x 20.55%	x 20.55%	x 20.55%
Cash Working Capital	-	-	-	-	-
Total Working Capital in Rate Base	-	-	-	-	-
Total Rate Base	234,108	-	-	-	234,108
Pre-Tax Rate of Return @ Schedule 1a	x 7.77%	x 7.77%	x 7.77%	x 7.77%	x 7.77%
Pre-Tax Revenue Requirement	18,183	-	-	-	18,183

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT
UTILITY PLANT IN SERVICE

	Volume Basis	Customer Allocation Basis	POASI	Non - POASI	TOTAL
UTILITY PLANT IN SERVICE:					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains (Schedule 3)	128,710	-	-	-	128,710
333.40 Services	108,036	-	-	-	108,036
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements	-	-	-	-	-
340.50 Office Furniture and Equipment	-	-	-	-	-
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment	-	-	-	-	-
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Utility Plant in Service	\$ 236,746	\$ -	\$ -	\$ -	\$ 236,746
ACCUMULATED DEPRECIATION:					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains (Schedule 3)	(1,287)	-	-	-	(1,287)
333.40 Services	(1,350)	-	-	-	(1,350)
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements	-	-	-	-	-
340.50 Office Furniture and Equipment	-	-	-	-	-
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment	-	-	-	-	-
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Accumulated Depreciation	\$ (2,638)	\$ -	\$ -	\$ -	\$ (2,638)

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT
UTILITY PLANT IN SERVICE

	Volume Basis	Customer Allocation Basis	POASI	Non - POASI	TOTAL
DEPRECIATION EXPENSE:					
303.20 Land and Land Rights	-	-	-	-	-
304.20 Structures and Improvements	-	-	-	-	-
307.20 Wells and Springs	-	-	-	-	-
311.20 Pumping Equipment	-	-	-	-	-
339.21 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.22 Other Miscellaneous Equipment (Common)	-	-	-	-	-
339.30 Other Miscellaneous Equipment (Treatment)	-	-	-	-	-
330.40 Distribution Reservoirs and Standpipes	-	-	-	-	-
331.40 Transmission and Distribution Mains (Schedule 3)	2,574	-	-	-	2,574
333.40 Services	2,701	-	-	-	2,701
334.40 Meters and Meter Installation	-	-	-	-	-
335.40 Hydrants	-	-	-	-	-
339.41 Other Miscellaneous Equipment (Division)	-	-	-	-	-
339.42 Other Miscellaneous Equipment (Common)	-	-	-	-	-
303.50 Land and Land Rights	-	-	-	-	-
304.50 Structures and Improvements	-	-	-	-	-
340.50 Office Furniture and Equipment	-	-	-	-	-
341.51 Transportation Equipment - Construction	-	-	-	-	-
341.52 Transportation Equipment - Pickups	-	-	-	-	-
343.50 Tools, Shop, and Garage Equipment	-	-	-	-	-
344.50 Laboratory Equipment	-	-	-	-	-
346.00 Communication Equipment	-	-	-	-	-
347.50 Miscellaneous Equipment	-	-	-	-	-
348.50 Other Tangible Plant (Rounding)	-	-	-	-	-
Total Depreciation Expense	\$ 5,275	\$ -	\$ -	\$ -	\$ 5,275

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT
OPERATING EXPENSES

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
OPERATING EXPENSES:					
Operation & Maintenance Expenses:					
Source of Supply Expenses	-	-	-	-	-
Pumping Expenses	-	-	-	-	-
Water Treatment Expenses	-	-	-	-	-
Transmission and Distribution Expenses	-	-	-	-	-
Customer Account Expense	-	-	-	-	-
Subtotal	-	-	-	-	-
Administrative and General Expenses:					
Salary and Wages Expense:					
Superintendent (1.0)	-	-	-	-	-
Field Personnel (3.0)	-	-	-	-	-
Office (0.5)	-	-	-	-	-
Office (2.5)	-	-	-	-	-
Total Salary and Wages Expense	-	-	-	-	-
Outside Professional Services	-	-	-	-	-
Outside Professional Services - Discount	-	-	-	-	-
Property Insurance Expense (Allocated by Utility Plant)	-	-	-	-	-
Group Insurance (Allocated by Wages)	-	-	-	-	-
Pension Plan	-	-	-	-	-
Rate Case Expenses	-	-	-	-	-
Regulatory Commission Expense	-	-	-	-	-
Materials	-	-	-	-	-
Contracted Services	-	-	-	-	-
Heat / Electric Expense - Office	-	-	-	-	-
Telephone Expense	-	-	-	-	-
Office Expense	-	-	-	-	-
Dig Safe Expense	-	-	-	-	-
Bank Charges Expense	-	-	-	-	-
Operating Permits Expense	-	-	-	-	-
Total Administrative and General Expenses	-	-	-	-	-
Total Operation & Maintenance Expenses	-	-	-	-	-
Depreciation Expense (Schedule 4c)	5,275	-	-	-	5,275
Amortization of Contributions in Aid of Construction	-	-	-	-	-
Amortization Expense - Other	-	-	-	-	-
Payroll Tax Expense (Allocated by Wages)	-	-	-	-	-
Property Tax Expense (i)	1,760	-	-	-	1,760
Total Operating Expenses	<u>\$ 7,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,035</u>

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LAKES REGION WATER COMPANY, INC.
SECOND STEP ADJUSTMENT: 2017 PROJECTS
CALCULATION OF POASI SPECIAL CONTRACT REVENUE ADJUSTMENT
OPERATING EXPENSES

	<u>Volume Basis</u>	<u>Customer Allocation Basis</u>	<u>POASI</u>	<u>Non - POASI</u>	<u>TOTAL</u>
(i) Property Tax Expense:					
<u>Direct RE Taxes - Paradise Shores:</u>					
Paradise Drive Main/Svc Replacement Project (net)				\$ 234,108	
Tax Assessment Value as a % of Taxable Utility Plant per Book			x	87.40%	
Tax Assessment Value of Land Purchase				204,611	
Municipal Tax Rate (Moultonborough)			x	\$0.00593	\$ 1,213
<u>Indirect State RE Taxes:</u>					
Capt Lovewell Ln Main/Svc Replacement Project (net)		\$ 166,011			
Paradise Drive Main/Svc Replacement Project (net)		234,108	400,119		
Tax Assessment Value as a % of Taxable Utility Plant per Book			x	87.40%	
Tax Assessment Value of Land Purchase				349,704	
State Tax Rate			x	\$0.00660	2,308
Total Indirect RE Taxes				2,308	
Paradise Shores Allocation %				x	23.70%
Property Tax Expense - Paradise Shores					547
					<u>\$ 1,760</u>

DW 15-209
LAKES REGION WATER COMPANY, INC.
COMPUTATION OF CUSTOMER RATES
STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS

Test Year Revenues Earned from General Customers (Att JPL-1 / Sch 3)	\$ 1,043,143	
Permanent Increase of Revenue Requirement (Revised Order 25,969- 1.10.2017)	\$ 103,694	9.94%
Revenue Requirement Increase from Step Adjustment #1 (Revised Order 25,969- 1.10.2017)	\$ 57,305	5.49%
Revenue Requirement Increase from Step Adjustment #2	\$ 28,937	2.77%
Proposed Annual Water Revenue from General Customers	\$ 1,233,079	18.21%

Less: Annual Operating Revenue - WVG Community Pool

Test Year Authorized Rate	\$ 1,452.76
1 + Percentage Increase in Revenue Requirement	x 1.1821 (1,717.28)

Less: Annual Operating Revenue - Non-metered Customers

Annual Water Revenue from General Customers less Annual Revenue - WVG Pool	\$ 1,231,362
Total Consolidated Rate Customers	+ 1,665
Annual Revenue Requirement per Customer	\$ 739.56
Total Non-metered Customers	x 591 \$ (437,078)

Annual Revenue Requirement Collected through Minimum Charge and Consumption Charge \$ 794,284

Calculation of Average Metered Rate per Customer:
\$ 581.70 (Minimum Charge) + \$ 5.66 (Metered Charge) x (29,952 ccf ÷ 1,074 metered customers)
= \$ 739.56 average charge per metered customer

(X = Minimum Charge; Y = Consumption Charge)

Calculation of Proportion of Present Minimum Charge to Present Consumption Charge:

Test Year Annual Minimum Charge: (X)	\$ 494.32
Test Year Annual Consumption Charge (per 100 cu ft): (Y)	+ \$ 4.81
Proportion of Present Minimum Charge to Present Consumption Charge: (X ÷ Y)	102.8
<u>Calculation of Consumption Charge:</u>	
X + Y * 29,952 ÷ 1,074 =	\$ 739.56
Y * 102.8 + Y * 27.9 =	\$ 739.56
Y * 130.7 =	\$ 739.56
Y =	\$ 5.66 * 29,952 = \$ (169,538)

Annual Revenue Requirement Collected through Minimum Charge \$ 624,745

Calculation of Annual Minimum Charge:

X + Y * 29,952 ÷ 1,074 =	\$ 739.56
X + \$ 5.66 * 27.9 =	\$ 739.56
X + \$ 157.86 =	\$ 739.56
X =	\$ 581.70 * 1,074 = \$ (624,745)

Remainder of Annual Water Revenue from General Customers \$ -

Conversion of Metered Consumption from Gallons to CCF:

2014 Total Consumption by Metered Customers (Gallons)	34,474,000
Less: 2014 Suissevale Metered Consumption (Gallons)	(12,068,000)
2014 Consumption by Metered Customers (Gallons)	22,406,000
Conversion Factor from Gallons to CCF (1 CCF = 748.051948 Gallons)	÷ 748.05
2014 Consumption by Metered Customers (CCF)	29,952

DW 15-209
LAKES REGION WATER COMPANY, INC.
REPORT OF PROPOSED RATE CHANGES
STEP ADJUSTMENT # 2: 2016 - 2017 PROJECTS

Revenues:	Number of Customers	Test Year Revenues	Proposed Revenues	Proposed \$ Change	Proposed % Change
WVG Pool	1	\$ 1,448	\$ 1,717	\$ 269	18.60%
Unmetered General Customers	591	367,707	437,078	69,371	18.87%
Metered General Customers	1,074	673,988	794,284	120,296	17.85%
Total Unmetered and Metered General Customers	1,666	1,043,143	1,233,079	189,936	18.21%
Suissevale Special Contract	1	136,526	250,260	113,734	83.31%
Total Water Sales	1,667	1,179,669	1,483,339	303,670	25.74%
Other Operating Revenues	N/A	136,341	59,258	(77,083)	-56.54%
Total Operating Revenues	1,667	\$ 1,316,010	\$ 1,542,597	\$ 226,587	17.22%

Rates:	Number of Customers	Test Year Rates	Proposed Rates	Proposed \$ Change	Proposed % Change
WVG Pool - Annual	1	\$ 1,452.76	\$ 1,717.28	\$ 264.52	18.21%
Unmetered General Customers - Annual	591	\$ 625.56	\$ 739.56	\$ 114.00	18.22%
Metered General Customers:					
Customer Charge - Annual	1,074	\$ 494.32	\$ 581.70	\$ 87.38	17.68%
Meter Charge - per ccf	1,074	\$ 4.81	\$ 5.66	\$ 0.85	17.68%

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.

Executive.Director@puc.nh.gov
alexander.speidel@puc.nh.gov
amanda.noonan@puc.nh.gov
anthony.leone@puc.nh.gov
bj@benjohnsonassociates.com
blaze424@hotmail.com
cantonides@roadrunner.com
dmintonsmith@gmail.com
donald.kreis@oca.nh.gov
dpatch@orr-reno.com
james.brennan@oca.nh.gov
jayson.laflamme@puc.nh.gov
jrichardson@upton-hatfield.com
leah@Lakesregionwater.com
lrwater@lakesregionwater.com
mdevitts@aol.com
ocalitigation@oca.nh.gov
pradip.chattopadhyay@oca.nh.gov
rileymovitz@gmail.com
stephenpstcyr@yahoo.com
steve.frink@puc.nh.gov
Tom@lakesregionwater.com

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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
EXECUTIVE 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.**