



JUSTIN C. RICHARDSON

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July 13, 2023

Via Electronic Service Only
Daniel C. Goldner, Chairman
c/o ClerksOffice@puc.nh.gov
NH Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, N.H. 03301-2429

Re: Lakes Region Water Co., Inc., Docket No. 22 – 87; Report on Financing Pursuant to Order No. 26,817.

Chairman Goldner:

I write on behalf of Lakes Region Water Co., Inc., (“Lakes Region”) in response to the Commission’s Order No. 26,817, revised May 15, 2023 (“Order”), which directed on Page 5 “that Lakes Region Water Company, Inc. [shall] file with DOE and the Commission evidence of the financing and the applicable interest rate within 15 days of the close of the financing.”

On June 29, 2023, with all of the governmental and corporate approvals in place, Lakes Region and CoBank ACB held a first closing which resulted in Lakes Region drawing \$270,605.63 for the Project costs incurred to date. Under the terms of the CoBank Loan Documents, this draw accrues interest at a variable rate until Lakes Region requests that CoBank lock the interest rate its then-applicable interest rate for a 20-year fixed rate loan. On July 6, 2023, Lakes Region requested that CoBank ACB lock the interest rate applicable to the first draw in the amount of \$270,605.63 at the then-applicable fixed interest rate of 6.95% with a 20-year amortization to maturity in 2044. Please note that, consistent with Lakes Region’s report in this proceeding dated June 9, 2023, Lakes Region has not yet borrowed or fixed the interest rate for the remaining \$591,474.37 of the total approved loan of \$862,080.

Lakes Region anticipates that it will continue to draw funds from CoBank as the Project moves forward. Under the terms of Lakes Region’s Loan Documents with CoBank, funds drawn accrue interest at CoBank’s applicable interest rate until Lakes Region requests to lock the applicable interest rate provided that “the amounts may be fixed in an amount not less than \$100,000.00” and “the maximum number of fixes in place at any one time will be five.” Lakes Region understands that it also has the option to lock interest rates in anticipation of construction

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costs, which then requires Lakes Region to draw any such locked interest rate funds within 12 months. As set forth in Lakes Region's report to the Commission dated June 9, 2023, Lakes Region anticipates that as the Project moves forward, it will periodically request that CoBank convert loan proceeds subject to the variable interest rates to fixed rates as the Project goes through construction and permitting.

Lakes Region would also like to take the opportunity to update the Commission on the Project consistent with its duty to keep informed as to the manner in which it is "managed and operated, not only with respect to the safety, adequacy and accommodation offered by [its] service, but also with respect to [its] compliance with all provisions of law, orders of the commission and charter requirements." RSA 374:4. Lakes Region therefore advises the Commission as follows:

- On June 16, 2023, Lakes Region advised the Department of Energy that, as a result of consultation with the Department of Environmental Services ("DES"), Lakes Region's Project Geologists at the Nobis Group recommended that it consider additional potential well sites at Locations F and G¹ shown in the Attached Figure 1 entitled *Photolineaments, Geophysical Survey Lines, and Drilling Sites* dated June 2023.
- Based on the Nobis Group's recommendation, Lakes Region contracted for an additional well at Location F which resulted in favorable "air lift" estimate of yield at 30 gpm.² Although preliminary, this result in conjunction with longer term testing performed by Lakes Region is a favorable indication of the Project's value to provide service to customers.
- Lakes Region has also conducted initial water quality testing as part of the Project. The initial test results are favorable but do indicate the presence of arsenic, a naturally occurring contaminant which will require treatment and removal as part of the DES permitting process. As a result, Lakes Region is evaluating potential options for installation of treatment system in order to provide service to the public that is safe and complies with all drinking water standards. Further information is available in the enclosed DES Fact Sheet entitled *Arsenic Removal and Disposal for Public Water Systems* (2019).
- The requirement to remove arsenic and/or other contaminants may require Lakes Region to exceed its estimated cost for the Project provided to the Department of

¹ Location G is also recommended but could require that Lakes Region secure an sanitary protective easements.

² The 30 gpm reported for Well F is a short term "air lift" estimate by the well contractor. The final well yields are determined by the DES based on the detailed analysis to be completed as part of the permitting for a large groundwater withdrawal. For example, DES requires *inter alia* that pumping tests be performed for periods not less than 72 hours (Env-Dw 305.14) in order to demonstrate that "drawdown in the well has stabilized at a yield that is sustainable" Env-Dw 305.29 (d)(4). Even so, the 30 gpm "air lift" estimate by the drilling contractor is favorable.

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Energy (“Department”) and to the Commission in the Department’s March 28, 2023, *Technical Statement of David N. Goyette, Utility Analyst*.

- On July 6, 2023, Lakes Region consulted with the Department and advised that Lakes Region does not anticipate that any changes to the Commission’s approval will be required. Lakes Region is continuing to evaluate treatment options in consultation with the DES and the Nobis Group. Lakes Region further advised the Department that, once a treatment option selected and/or changes to the estimated Project costs are known, it will provide an update the Commission and the Department as required by Rule Puc 609.12 and file an updated *Form E-22 - Report of Proposed Expenditures for Additions, Extensions and Capital Improvements to Fixed Capital*.

This completes Lakes Region’s update to the Commission as directed by Order No. 26,817. If the Commission, the Department, or any other interested parties have any questions, please feel free to contact me or the Company at any time.

Respectfully submitted,

A handwritten signature in black ink that reads "Justin Richardson". The signature is written in a cursive, flowing style.

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Enclosures

Photolineaments, Geophysical Survey Lines, and Drilling Sites (Nobis Group June 2023).
Arsenic Removal and Disposal for Public Water Systems (DES 2019).

Cc: Service List