

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 10-141

LAKES REGION WATER CO., INC.

Permanent and Temporary Rate Increase Proceeding

**Order Suspending Proposed Tariffs
and
Scheduling a Prehearing Conference**

ORDER NO. 25,140

August 17, 2010

Lakes Region Water Company, Inc., (Lakes Region) is a regulated public utility that provides water service to approximately 1,615 customers in the Towns of Campton, Conway, North Conway, Freedom, Gilford, Moultonborough, Ossipee, Tamworth, Thornton, Tuftonboro, Wolfeboro, and the City of Laconia. On May 19, 2010, Lakes Region filed a notice of intent to increase its rates and contemporaneously submitted a request to waive certain filing requirements of N.H. Admin. Rules Puc 1604.01. On June 1, 2010, the Office of the Consumer Advocate (OCA) filed a notice of participation on behalf of residential ratepayers consistent with RSA 363:28 and an objection to certain of the waiver requests, specifically Lakes Region's request to waive the filing of monthly or quarterly financial statements, and a waiver for filing data relating to any non-utility operations. On June 10, 2010, Lakes Region responded to OCA's objections, stating it does not produce quarterly financial statements, and that it does not in fact have any non-utility operations.

On July 19, 2010, Lakes Region filed its rate schedules pursuant to N.H. Code Admin. Rules Puc 1600 as well as materials supporting its proposed permanent rate increase and request

for temporary rates. Lakes Region seeks a permanent increase in its annual gross operating revenues of \$312,059 or a 40.74% percent increase compared to current revenues. The impact to an average water customer bill associated with the proposed permanent rate increase would be \$193.35 per year based on 8,800 cubic feet of consumption. Lakes Region also requests approval of a step increase in 2011 to recover an estimated \$1.48 million in capital costs associated with the purchase of the Mount Robert's land and related water supply improvements expected to be completed at its Paradise Shores system. This step increase would result in an estimated \$243,146 in new revenues or an additional 31.74% increase in Lakes Region's annual operating revenues. The combined permanent and step increase, if approved, would increase annual operating revenue by 72.48% and would increase an average customer's bill by approximately \$355 annually.

Lakes Region asks that temporary rates be effective July 1, 2010. The proposed temporary rates would generate additional revenues of \$192,907 or an increase of 25.18% on an annual basis to its metered and unmetered customers. If approved, the impact on an average customer's annual bill would be approximately \$119.52.

With respect to the Company's waiver requests, we will grant the requests insofar as necessary to waive the requirement to file internal financial reports and quarterly income statements that have not been routinely produced. The orderly and efficient resolution of this proceeding will not be disrupted by such waivers inasmuch as the OCA, other parties and Staff can avail themselves of the discovery process to obtain the financial information needed to review Lakes Region's filing. We will address at the prehearing conference the issue of non-utility operations raised by the OCA.

The filing raises, *inter alia*, issues related to: RSA 378:7 and RSA 378:27-28 and whether the proposed temporary and permanent rates, as well as the proposed step adjustment, are lawful, just, and reasonable; whether test year expenses and *pro forma* adjustments are reasonable; and whether the calculation of rate base represents prudent investment in property that is used and useful; whether 2010 assets placed in service should be fully reflected in rate base and a full year's depreciation expense and accumulated depreciation on such assets should be fully reflected in rate base; the determination of a reasonable rate of return, including an appropriate capital structure; whether the level of revenues used for calculating the revenue requirement is reasonable; and whether the proposed allocation of the additional revenue between metered and unmetered customers is reasonable.

Based on the foregoing, it is hereby

ORDERED, that Lakes Region Water Company Inc.'s NHPUC NO. 7 WATER – Second Revised Page Pages, 10, 11, 12, 13, 14, 15, and 16, are hereby suspended; and it is

FURTHER ORDERED, that a waiver of the 30-day notice requirement of N.H. Code Admin. R. Puc 1203.02(d) is hereby granted pursuant to Puc 201.05 on the condition that notice be sent to customers with their regular bills in the billing cycle immediately following approval of the notice by the Commission's Consumer Affairs Division; and it is

FURTHER ORDERED, that a Prehearing Conference, pursuant to N.H. Code Admin. R. Puc 203.15, be held before the New Hampshire Public Utilities Commission located at 21 S. Fruit St., Suite 10, Concord, New Hampshire on September 24, 2010 at 10:00 a.m. at which each party and Commission Staff will provide a preliminary summary of its positions with regard to the filing; and it is

FURTHER ORDERED, that immediately following the Prehearing Conference, Lakes Region, Commission Staff, and any intervenors hold a technical session to review the issues and recommend a proposed procedural schedule for consideration of the issues raised by the filing; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.12, Lakes Region notify all persons desiring to be heard at this hearing by publishing by September 17, 2010 a display advertisement pertaining to the Prehearing Conference, details of which shall be determined in consultation between Lakes Region and the Executive Director; and it is

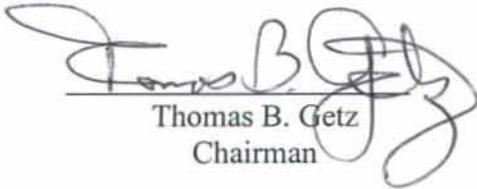
FURTHER ORDERED, that pursuant to N.H. Code Admin. R. Puc 203.12, any party seeking to intervene in the proceeding shall submit to the Commission seven copies of a Petition to Intervene with copies sent to Lakes Region and the Office of the Consumer Advocate on or before September 21, 2010, such Petition stating the facts demonstrating how its rights, duties, privileges, immunities or other substantial interests may be affected by the proceeding, as required by N.H. Code Admin. R. Puc 203.17 and RSA 541-A:32, I(b); and it is

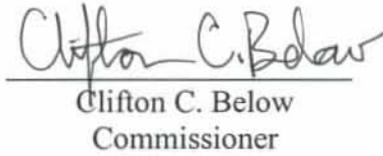
FURTHER ORDERED, that any party objecting to a Petition to Intervene make said Objection on or before September 24, 2010; and it is

FURTHER ORDERED, that, pursuant to N.H. Code Admin. R. Puc 203.12(a)(5), each party has the right to have an attorney represent them at their own expense; and it is

FURTHER ORDERED, that Lakes Region's waiver requests are granted pursuant to N.H. Code Admin. R. Puc 201.05.

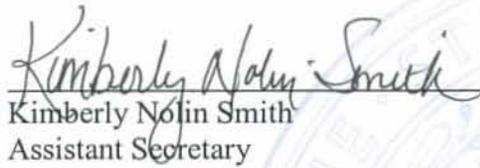
By order of the Public Utilities Commission of New Hampshire this seventeenth day of
August, 2010.


Thomas B. Getz
Chairman


Clifton C. Below
Commissioner


Amy Ignatius
Commissioner

Attested by:


Kimberly Nolin Smith
Assistant Secretary

