ORIGINAL
N.H.P.U.C. Case No. DW 10-141
Exhibit No. LRW 32
Witness Jason Laflamme
DO NOT REMOVE FROM FILE

DW 10-141
LAKES REGION WATER COMPANY, INC.
STAFF RESPONSES TO DATA REQUESTS FROM COMPANY – SET 1

Date Request Received: October 24, 2011
Request No: LRWC 1-6

Date of Response: October 31, 2011
Witness: Jayson P. Laflamme

REQUEST:

a. Do you agree that the Company's investment in plant during 2009 is not fully reflected in your determination of plant in service and rate base due to the 13 month average, i.e., only 6/13 of an investment made in July 2009 is reflected in rate base?

b. Do you also agree that the Company will never fully recover the 2009 investment even if included in a future rate case because such investment will be further depreciated? If not, please explain your answer.

c. Would you agree that the 2009 investments are known and measurable?

d. Do you agree that the Company's investment in plant during 2010, and reflected in your determination of 2010 additions to rate base as part of the step increase is fully reflected?

e. Please explain why it is appropriate to fully reflect the 2010 additions to plant but not the 2009 additions to plant.

f. Would Staff consider including the 2009 additions to plant because such additions are "non-revenue" producing additions? *See Unitil Energy Systems*, 91 NHPUC 416 (2006).

RESPONSE:

a. Yes.

b. No. The Company has the opportunity to recover the full cost of its 2009 plant investments through the depreciation expense on those plant investments that is reflected in rates. The Company's ability to earn a full return on its 2009 plant investments may be limited for reasons indicated in (a). However, Staff believes this is mitigated somewhat by virtue of the fact that after the 2009 plant is retired, LRWC may continue to earn a return on its investment. The accounting entry to record plant retirements requires that both the plant asset account as well as the accumulated depreciation account be reduced by the full original cost of the retired asset. This results in a net $0 reduction in the Company's rate base; thereby, allowing the Company to continue to earn a return even on its retired plant investments.

c. Yes.

d. Yes.

e. It is appropriate to reflect the test year average of the 2009 plant additions in rate base in accordance with Commission rules and regulations. It is also appropriate to reflect the full cost of the 2010 plant additions in rate base for purposes of a step increase in accordance with past Commission rulings relative to step increases.

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LAKES REGION WATER COMPANY, INC.
STAFF RESPONSES TO DATA REQUESTS FROM COMPANY – SET 1

Date Request Received: October 24, 2011
Request No: LRWC 1-6 (continued)

Date of Response: October 31, 2011
Witness: Jayson P. Laflamme

RESPONSE (continued):

f. Normally, two criteria need to be met relative to the full-cost inclusion in rate base of certain so-called "non-revenue producing assets". First, the installation of such plant must not result in increased revenues to the utility through an increase in its customer base, capacity, etc. Second, the installation of such plant must be reasonably necessary by either mandate of some regulatory authority or other directive. If the Company can demonstrate that certain 2009 plant additions meet such criteria, Staff would be willing to consider their inclusion in rate base at full cost.