



STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

DW 16-619

RE: LAKES REGION WATER CO., INC.
AND

DOCKHAM SHORES ESTATES WATER CO., INC.

Joint Petition to Transfer Utility Assets and Franchise and for Related Approvals

SETTLEMENT AGREEMENT

I. INTRODUCTION

This Settlement Agreement (Agreement) is entered into this 23rd day of September 2016, between and among Lakes Region Water Co, Inc. (Lakes Region), Dockham Shores Estates Water Co, Inc. (Dockham Shores), Office of the Consumer Advocate (OCA), and the Staff of the New Hampshire Public Utilities Commission (Staff) (collectively, the Settling Parties), with the intent of resolving certain issues, more fully described below, in the above-captioned proceeding.

II. THE PARTIES

Lakes Region is a New Hampshire corporation authorized to operate as a public water utility in the State of New Hampshire. Lakes Region currently serves a total of 1,672 customers in 17 separate systems located in the Lakes Region and White Mountain region of New Hampshire.

Dockham Shores is a New Hampshire corporation and a regulated public water utility that provides water service to 60 customers in the Town of Gilford, New Hampshire. Dockham Shores is owned by Colin and Mary Robertson who are its sole shareholders.

III. PROCEDURAL BACKGROUND

On May 31, 2016 Lakes Region and Dockham Shores Estates submitted a joint petition (the Joint Petition) for approval to:

- (1) Transfer Dockham Shores Estates' water utility assets and franchise to Lakes Region as set forth in an Asset Purchase Agreement (the APA), pursuant to RSA 374:22 & 30;
- (2) Discontinue Dockham Shores Estates' operation as a public water utility following the transfer pursuant to RSA 374:28;
- (3) Authorize Lakes Region to borrow an amount not to exceed \$135,000 of long-term debt pursuant to RSA 369:1 & 2, in order to acquire Dockham Shores' utility assets and franchise and to construct significant improvements to the system required for safe operations;
- (4) Authorize a step increase in customer revenues for Dockham Shores not to exceed \$6,620, following the construction of the required improvements; and
- (5) Authorize Lakes Region to modify Dockham Shores' existing tariff to reflect Lakes Region's existing, approved terms and conditions, pursuant to RSA 378:3. This will enable Lakes Region to operate all of its water systems using consistent terms and conditions. Customers in the Dockham Shores franchise area shall remain on the existing Dockham Shores rate schedule.

The Joint Petition was accompanied by an Asset Purchase Agreement whereby Lakes Region will pay Dockham Shores \$60,000 in cash for the utility assets and franchise owned by Dockham Shores. *Petition Exhibit A*. The Joint Petition also included a report prepared by Lakes Region's Field Supervisor, Justin Benes, of improvements to the system including

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electrical upgrades, telemetry, and pump station improvements that are urgently needed to maintain safe operations. *Petition Exhibit B.* The Joint Petition also included a recent Sanitary Survey prepared by the New Hampshire Department of Environmental Services which identified significant deficiencies in the system which threatened compliance with New Hampshire's Safe Drinking Water Act, RSA 485. *Petition Exhibit C.* Lakes Region also provided a term sheet provided by CoBank ACB indicating that its interest rate for a 20 year fully amortizing loan as of 4-29-16 is 5.27%. *Petition Exhibit F.* Because the interest rate is to be determined at the time of closing, Lakes Region requests that the Commission authorize it to borrow an amount not to exceed \$135,000 at interest rates not to exceed 6.00% for a 20-year fixed rate.

On June 10, 2016, the OCA filed a letter with the Commission, providing notice that pursuant to RSA 363:28, the OCA would be participating in this docket on behalf of residential ratepayers.

On June 13, 2016, the Commission issued an Order of Notice establishing a prehearing conference and technical session for July 7, 2016. No petitions for intervention were received. On July 8, following the prehearing conference, the Commission approved a procedural schedule submitted by Staff calling for two rounds of discovery on the Joint Petition by Staff and the OCA. Following responses to Staff and OCA data requests by Lakes Region and Dockham Shores, a technical and settlement conference was held on August 31, 2016, which led to this Settlement Agreement.

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IV. TERMS OF AGREEMENT

The Settling Parties agree as follows.

A. Sale of Assets

The Settling Parties agree that such sale by Dockham Shores Estates as set forth in the APA is for the public good pursuant to RSA 374:30 and, therefore, recommend the Commission approve the sale.

B. Authority to Operate

The Settling Parties agree that Lakes Region has the requisite managerial, technical, and financial expertise to provide service to Dockham Shores Estates' customers within the current Dockham Shores Estates franchise area. Accordingly, the Settling Parties recommend the Commission find that Lakes Region's request for approval to engage in the business of providing water service in Dockham Shores Estates' franchise area is for the public good.

C. Authority to Discontinue Service

The Settling Parties agree that Dockham Shores Estates' discontinuation of service is for the public good, and recommend the Commission grant Dockham Shores Estates' request to cease providing service as a public utility as of the date of the closing of the transaction as contemplated in the APA.

D. Authority to Issue Long Term Debt

The Settling Parties agree that the terms and conditions of the proposed financing are consistent with the public good. Lakes Region should be authorized to borrow up to \$135,000 from CoBank as set forth in the Joint Petition and on such other terms and

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conditions as are not inconsistent therewith. Lakes Region should further be authorized to grant a security interest in any or all assets acquired from Dockham Shores Estates in furtherance of its financing proposal, as well as to update its existing approved mortgage to include the newly acquired Dockham Shores Estates assets. The Settling parties recommend the Commission grant Lakes Region's request for financing approval pursuant to RSA 369:1 & 2.

E. Tariff Revisions

The Settling Parties agree and recommend that the Commission approve Lakes Region's request to modify Dockham Shores' existing tariff to reflect Lakes Region's existing, approved terms and conditions, pursuant to RSA 378:3. This will enable Lakes Region to operate all of its water systems using consistent terms and conditions.

F. Step Increase

The Settling Parties agree and recommend that the Commission authorize Lakes Region to submit a request for a step increase as set forth in the Joint Petition in an amount not to exceed \$6,620 per year in total, following the construction of the required improvements to the system on or before December 31, 2017. Staff shall review Lakes Region's request for a step increase and make a recommendation to the Commission consistent with applicable rate making principles, Commission regulations and the provisions of RSA 378.

V. CONDITIONS

This Agreement is expressly conditioned upon the Commission's acceptance of all of its provisions, without change or condition, and if the Commission does not accept

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said provisions in their entirety, without change or condition, the Agreement shall at any of the Settling Parties' option exercised within ten (10) days of such Commission order, be deemed to be null and void and without effect and shall not constitute any part of the record in this proceeding nor be used for any other purpose.

The Commission's acceptance of this Agreement does not constitute continuing approval of, or precedent regarding, any particular principle or issue in this proceeding, but such acceptance does constitute a determination that, as the Settling Parties believe, the provisions set forth herein in their totality are just and reasonable and in the public good.

The information and testimony previously provided in this proceeding are not expected to be subject to cross-examination by the Settling Parties, which would normally occur in a fully litigated case. The Settling Parties agree that all of their pre-filed exhibits should be admitted as full exhibits for the purpose of consideration of this Agreement. Agreement to admit all pre-filed testimony without challenge does not constitute agreement by the Settling Parties that the content of the pre-filed testimony filed on behalf of the other is accurate or what weight, if any, should be given to the views of any witness.

The discussions which have produced this Agreement have been conducted on the explicit understanding that all offers of settlement relating thereto are and shall be confidential, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise.

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This Agreement may be executed in multiple counterparts, which together shall constitute one Agreement.

The Settling Parties agree that the proposed Agreement is lawful and consistent with the public good, and therefore recommend its approval.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed in their respective names by their authorized agents.

Lakes Region Water Company

By Its Counsel,

UPTON & HATFIELD, LLP

Date: September 22, 2016

By:



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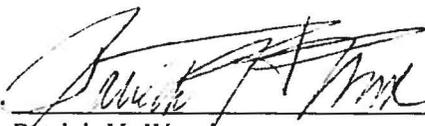
Dockham Shores Water Company, Inc.

By Its Counsel,

PATRICK WOOD LAW OFFICE, PLLC.

Date: September 16, 2016

By:



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Staff, New Hampshire Public Utilities Commission

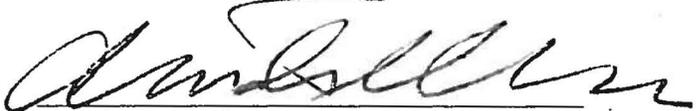
Dated: September 23, 2016

By: 

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Office of the Consumer Advocate

Dated: September 22, 2016

By: 

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