

**STATE OF NEW HAMPSHIRE**  
**PUBLIC UTILITIES COMMISSION**

**Docket No. DW 13-\_\_\_\_\_**

**Lakes Region Water Company, Inc.**

**PETITION FOR APPROVAL OF LONG TERM FINANCING**

NOW COMES Lakes Region Water Company, by and through Upton & Hatfield, LLP, and petitions the Commission for approval of long-term debt as follows:

1. Lakes Region Water Company (“Lakes Region” or the “Company”) provides retail water service to approximately 1,644 customers in 17 drinking water systems located in the Lakes Region, as well as one wholesale customer.
2. Lakes Region seeks Commission approval pursuant to RSA 369:1-4 to allow the Company to obtain a low-interest-rate secured notes from CoBank as set forth herein and in the Testimony of Timothy Fontaine.
3. As the Commission is aware,<sup>1</sup> CoBank is a government sponsored enterprise owned by its customers who consist of water utilities, agricultural cooperatives, and other businesses serving rural areas in the United States. CoBank issues its debt securities with the implicit full faith and credit of the United States Government. Its borrowing costs are generally lower than commercial banks and financial institutions.
4. As explained in the Testimony of Timothy Fontaine, the Company requests that the Commission approve long-term financing, not to exceed the following:

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<sup>1</sup> See e.g., Pennichuck East Utility, Inc., DW 13-017 Order No. 25,480; Aquarion Water Company, DW 12-098, Order No. 25,369.

- a. A \$500,000, 15-year-fixed rate loan at an interest rate not to exceed 5.75% that will be used to refinance the Company's three existing loans from TD Bank that have higher interest rates and that become due beginning on January 14, 2014;
- b. A \$400,000, 5 year fixed rate loan at an interest rate not to exceed 4.50% that will be used to: (i) eliminate its Accounts Payable with substantial discounts from its vendors (described below); and (ii) pay its accrued 2013 Federal and State income tax liability; and
- c. A \$50,000, 1-year revolving line of credit at CoBank's weekly stated rate that will be used as needed.

5. The terms above are conservatively proposed on a 'not-to-exceed' basis.

The Company expects that the actual rates set by CoBank at the time of closing following Commission approval will be even more favorable. For example, CoBank's 5-year fixed interest rate was 4.0% on November 13, 2013. In addition, the Company expects to join CoBank's Patronage Program which will "lower the effective interest rate by 75 basis points per annum based on the current program." As a result, it is likely that the actual interest rates at closing will be even more favorable than those conservatively proposed here on a not-to-exceed basis.

6. **Use of Funds, 15 Year Fixed Loan.** As explained by Mr. Fontaine, Lakes Region will use the loan proceeds of the \$500,00, 15-year loan from CoBank to refinance its existing loans with TD Bank of approximately \$511,000. The existing TD loans to be refinanced consist of the following:

- a. TD Note#1 has an interest rate of 6.09%, a current balance of \$228,724 (original amount of \$500,000) and a balloon payment due on January 13, 2014;

- b. TD note #2 has an interest rate of 5.58%, a current balance of \$209,862 (original amount of \$385,000) and a balloon payment due on January 13, 2015; and
- c. TD note #3 has an interest rate of 6.29%, a current balance of \$72,972 (original amount of \$142,000) and a balloon payment due on December 29, 2014.

7. The refinancing of the existing TD Bank loans with CoBank's loan at lower interest rates will reduce the Company's cost of service, reduce the need for future rate increases and help provide funds for future capital improvements. In addition, as noted above, TD Note #1 contains a balloon payment that becomes due and payable on January 13, 2014. It is important that the Commission approve this Petition on an expedited basis in order to avoid a potential default.

8. **Use of Funds, 5 Year Fixed Loan.** Lakes Region will use loan proceeds from the \$400,000, 5 year loan to pay its remaining Accounts Payable of approximately \$334,000, and its accrued 2013 Federal and State income tax liability. As explained in Mr. Fontaine's testimony, the Company's Accounts Payable consists primarily of expenses incurred for consulting services incurred in DW10-141 and other proceedings before the Commission. The Company has negotiated substantial reductions with its vendors, ranging from 20 to 50%, for a total of reduction in Accounts Payable of approximately \$112,000, if payment is made prior to 12/31/2013.

9. **Conclusion.** Approval of this Petition is consistent with the public good because: (a) it will allow the Company to refinance its existing long-term loans at a lower interest rates, thereby reducing its cost of service; (b) it will make funds available for the Company to pay rate case expenses and deferred assets approved by the Commission in DW 10-141; and (c) it will allow the Company to realize negotiated reductions in its Accounts Payable and pay its estimated, accrued 2013 Federal & State Tax obligations.

10. **Request for Expedited Approval.** The Company further requests that the Commission approve this Petition on an expedited basis to allow closing to occur before December 31, 2013 because: (a) approval will result in substantial savings for the Company and its customers (lower interest; vendor discounts); and (b) the public will benefit from payment of the Company's 2013 Federal & State Tax obligations and its Accounts Payable.

WHEREFORE Lakes Region Water Company respectfully requests that the Commission approve this Petition and grant such other relief as justice may require.

Respectfully submitted,

**LAKES REGION WATER  
COMPANY, INC.**

By its Counsel,

**UPTON & HATFIELD, LLP**



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