

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

**Re: Lakes Region Water Company**

**DW 19-\_\_\_\_**

**DIRECT PREFILED TESTIMONY OF LEAH VALLADARES**

**SEPTEMBER 16, 2019**

**DIRECT PREFILED TESTIMONY OF LEAH VALLADARES**

Q. What is your name and business address?

A. My name is Leah Valladares and my business address is 420 Governor Wentworth Hwy, Moultonborough, NH.

Q. Who is your employer?

A. My employer is Lakes Region Water Company, Inc.

Q. What are your responsibilities in this case?

A. My responsibilities as the Company's Utility Manager is to update the financial exhibits. Also, I am available to testify and represent the Company during the technical session / settlement conference and hearing. In addition, I'm available to review / respond to data requests and other matters related to this filing.

Q. Have you prepared testimony before this Commission?

A. No.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the Commission data for the Company to finance a new vehicle with Ford Motor Credit.

Q. Before you describe the financing, please provide some background.

A. In 2014 the Company purchased a 2014 Ford F150 for \$32,271 and financed the purchase with a 5 year note payable with Ford Motor Credit for \$31,771.00. The F150 has 144,247 miles, has been fully depreciated using a five (5) year straight-line method and needs replacement in 2019. The Company plans to sell the 2014 Ford F150 and apply the proceeds toward the purchase of the new vehicle.

Q. What is the total cost of the new vehicle?

A. The total costs of the 2019 F150 is \$36,469.00. Exhibit 9

Q. How does the Company propose to finance such costs?

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- A. The Company proposes to borrow \$36,469.00 from Ford Motor Credit ("Ford").
- Q. What are the terms and conditions of the Ford financing?
- A. The proposed terms and conditions for Ford Motor Credit Option "A" are 5 years at a 1.90% interest rate. - Exhibits 10 & 10a.
- Q. Did the Company seek other financing options?
- A. Yes, the Company reviewed the terms and conditions of the following lenders;
1. Ford Motor Credit Options "B"&"C"- Exhibits 11, 11-1, & 11-1a.
  2. Northeast Credit Union (NECU)-Exhibits 12 & 12a.
  3. St. Mary's Bank-Exhibits 13 & 13a.
- Q. Why did the Company choose Ford Motor Credit Option "A"?
- A. The Company choose Ford Motor Credit Option "A" because the rebate of \$2,500.00 and the low interest rate of 1.90% netted \$38,257.54 cost of vehicle loan (principal & interest) and believed this option provided the best savings compared to the other options listed as follows;
1. Ford Motor Credit Option "B" provided 0% financing with no additional rebate, netting \$38,969.00 cost of vehicle loan.
  2. Ford Motor Credit Option "C" provided a \$4,000 rebate with 6.74% interest rate, netting \$41,288.79 cost of vehicle loan (principal & interest).
  3. NECU provided a 3.69% interest rate and Ford allowed a \$3,250 rebate for outside financing, netting \$39,345.19 cost of vehicle loan (principle & interest).
  4. St. Mary's Bank provided a 3.99% interest rate and Ford allowed a \$3,250 rebate for outside financing, netting \$39,649.77 cost of vehicle loan (principle & interest).

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Q. Why should the Commission approve the financing?

A. The Commission should approve the financing because it is in the best interest of the Company and its customers. The Company seeks to replace a current vehicle with high mileage in order to ensure dependable service to its customers and potentially reduce excessive vehicle maintenance and repairs.

Q. How is the Company proposing to recover these investments?

A. The Company will recover such investments as part of its next rate case.

Q. Is there anything else that you would like to address before you address the financing schedules?

A. Yes, the Company will be requesting "Expedited Approval" in order to secure the special financing and rebates offered by Ford that are expected to expire in September 2019 the Company placed the order for the vehicle and is scheduled to be built and shipped to the Dealer in 4-6 weeks or the end October 2019 beginning of November 2019.

Q. Would you please explain Exhibit 1-1, entitled Balance Sheet – Assets and Other Deferred Debits?

A. Yes. Generally, column (a) indicates the line number and column (b) identifies the account title and PUC account number. Column (c) identifies the actual December 31, 2018 account balances. Column (d) identifies the pro forma adjustments to the December 31, 2018 account balances. Column (e) is the sum of columns (c) and (d).

Q. Please explain the adjustments related to 2019 addition of one (1) vehicle and related Ford financing.

A. Exhibit 1-1 contains 2 adjustments.

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The first adjustment to Utility Plant for \$1,666 represents the net of the old vehicle (2014 F150) being retired and the new vehicle (2019 F150) being added. The old vehicle will be retired from plant at \$34,803 and the new vehicle will be added to plant at \$36,469.

The second adjustment to Accumulated Depreciation for \$37,247 represents the net of the old vehicle being retired and the net of the accumulated depreciation.

The third adjustment to Cash for (\$7,651) is the net of the Ford financing and purchase of vehicle and the new loan payments.

Q. Please explain Exhibit 1-2, entitled Balance Sheet – Equity Capital and Liabilities.

A. The description of the columns is the same as Exhibit 1-1.

Q. Please explain the adjustments related to 2018 addition of 1 vehicle and related Ford financing.

A. Exhibit 1-2 contains 2 adjustments.

The first adjustment to Retained Earnings for (\$1,812) represents the net income impact of changes to depreciation and interest expense.

The second adjustment to Other Long-Term Debt for \$29,450 represents the net amount of the borrowing \$36,469 less 1<sup>st</sup> year principal paid of \$7,019.

Q. Would you please explain Exhibit 2, entitled Statement of Income?

A. The description of the columns is the same as Exhibit 1-1.

Q. Please explain the adjustments related to 2018 additions of 1 vehicle and related Ford financing.

A. There are 2 adjustments to the Statement of Income.

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The first adjustment to depreciation expense is the net of the depreciation expense on the old vehicle and the new vehicle.

The second adjustment to Interest Expense is record the 1<sup>st</sup> year interest expense of the new loan.

Q. Would you please explain Exhibit 3, entitled Capital Structure?

A. The actual 2018 Year End Balance is also reflected on the Balance Sheet (see Exhibit 1-2). The related capitalization ratios are shown on the bottom half of the Schedule. The Company's debt to equity position is weighted towards equity due primarily to the owner funding past acquisitions / improvements. The net addition of the debt will increase the debt to equity position.

Q. Please explain Exhibit 4, entitled Journal Entries.

A. Exhibit 4 identifies the specific journal entries used to develop the pro forma financial statements. The significant journal entries are JE#1 - the recording of the Ford financing, JE#2 - the purchase of the new vehicle and JE#6 - the repayment of the principal and interest on the new loan.

Q. How does the Company propose to repay the new debt?

A. The Company proposes to pay the new debt with internal cash until such time as the investment can be added to rate base and reflected in rates.

Q. Would you like to explain Exhibit 5, Preliminary Calculation of Revenue Requirement?

A. Exhibit 5 shows the preliminary calculation of the revenue requirement. The preliminary calculation shows an increase in the revenue requirement of \$7,294 or .55%.

Q. Would you please explain Exhibit 6, Weighted Average Cost of Capital?

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- A. Exhibit 6 shows the amount of the financing, the interest rate on the Ford loan, the interest expense, the total interest, the cost rates, namely 4.59%.
- Q. Would you please explain Exhibit 7, Plant, Accumulated Depreciation and Depreciation Expense?
- A. Exhibit 7 shows PUC account number, a brief description, the cost and the related depreciation rates, annual depreciation costs and the accumulated depreciation at a half year.
- Q. Would you please explain Exhibit 8, the Source and Use Statement?
- A. The source of the funds is Ford Motor Credit. The use of the funds is the purchase of the 1 vehicle.
- Q. Please summarize the approvals that the Company is requesting.
- A. The Company respectfully requests that the PUC approve the Ford financing for the purchase of 1 vehicle in 2019.
- Q. Does this conclude your testimony?
- A. Yes.

L. Valladares

09/16/2019