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STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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4

May 8, 2008 - 10:07 a.m.
Concord, New Hampshire

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RE: DW 07-105
LAKES REGION WATER COMPANY, INC.:
Investigation into Quality of Service.

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PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Graham J. Morrison
Commissioner Clifton C. Below

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Sandy Deno, Clerk

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APPEARANCES: Reptg. Lakes Region Water Company, Inc.:
Daniel J. Mullen, Esq. (Ransmeier & Spellman)

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Reptg. Property Owners at Suissevale Assn.:
Douglas L. Patch, Esq. (Orr & Reno)

17

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Reptg. Residential Ratepayers:
Meredith Hatfield, Esq., Consumer Advocate
Kenneth E. Traum, Asst. Consumer Advocate
Stephen Eckberg

19

Office of Consumer Advocate

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Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq., Esq.

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22

23

Court Reporter: Steven E. Patnaude, LCR No. 52

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1

I N D E X

2 PAGE NO.

3 WITNESS PANEL: THOMAS A. MASON, JR.
STEPHEN P. ST. CYR
4 MARK A. NAYLOR

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14 E X H I B I T S

15 EXHIBIT NO. D E S C R I P T I O N PAGE NO.

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17 2 RESERVED (Re: Detailed schedule
re: Paradise Shores) 40

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1 P R O C E E D I N G S

2 CHAIRMAN GETZ: Okay. Good morning,

3 everyone. We'll open the hearing the docket DW 07-105.

4 An order of notice was issued on October 10, 2007 opening
5 this proceeding to investigate the quality of service
6 issues concerning Lakes Region. A secretarial letter was
7 issued on December 5 setting the hearing for this morning.
8 And, we have as a subject of the hearing a Settlement
9 Agreement that was filed on May 7.

10 Can we take appearances please.

11 MR. MULLEN: I'm Daniel Mullen, from
12 Ransmeier & Spellman, on behalf of Lakes Region Water
13 Company.

14 CMSR. MORRISON: Good morning.

15 CMSR. BELOW: Good morning.

16 CHAIRMAN GETZ: Good morning.

17 MR. PATCH: Good morning. Douglas
18 Patch. I'm here this morning on behalf of Property Owners
19 Association at Suissevale, Inc.

20 CHAIRMAN GETZ: Good morning.

21 CMSR. MORRISON: Good morning.

22 CMSR. BELOW: Good morning.

23 MS. HATFIELD: Good morning,
24 Commissioners. Meredith Hatfield, for the Office of

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1 Consumer Advocate, on behalf of residential ratepayers,
2 and with me is Ken Traum and Steve Eckberg from the
3 Office.

4 CHAIRMAN GETZ: Good morning.
5 CMSR. MORRISON: Good morning.
6 CMSR. BELOW: Good morning.
7 MS. THUNBERG: Good morning,
8 Commissioners. Marcia Thunberg, on behalf of Staff, and
9 with me today is Mark Naylor, who will be participating on
10 the panel for the Settlement Agreement, and Doug Brogan,
11 Jayson LaFlamme, and Jim Lenihan. Thank you.
12 CMSR. MORRISON: Good morning.
13 CHAIRMAN GETZ: Good morning.
14 CMSR. BELOW: Good morning.
15 CHAIRMAN GETZ: Is there anything we
16 need to address prior to hearing from the panel?
17 MS. THUNBERG: Yes. Staff has
18 distributed by agreement among the parties a Settlement
19 Agreement before you, and we wish to mark that for
20 identification as "Exhibit 1".
21 CHAIRMAN GETZ: It will be so marked.
22 (The document, as described, was
23 herewith marked as Exhibit 1 for
24 identification.)
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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 MS. THUNBERG: And, we have a panel that
2 will include Mark Naylor, Tom Mason, Jr., and Stephen St.
3 Cyr, if we can present at this time?
4 CHAIRMAN GETZ: Please proceed.
5 MS. THUNBERG: Thank you.

6 (Whereupon Thomas A. Mason, Jr., Stephen
7 P. St. Cyr & Mark A. Naylor were duly
8 sworn by the Court Reporter.)

9 THOMAS A. MASON, JR., SWORN

10 STEPHEN P. ST. CYR, SWORN

11 MARK A. NAYLOR, SWORN

12 DIRECT EXAMINATION

13 BY MS. THUNBERG:

14 Q. Thank you, gentlemen. I have a few background
15 questions to ask you. And, Mr. St. Cyr, I'll ask you
16 first, to state your name and business for the record.

17 A. (St. Cyr) My name is Stephen P. St. Cyr, and I'm with
18 Stephen P. St. Cyr & Associates.

19 Q. And, Mr. Mason.

20 A. (Mason) I'm Thomas A. Mason, Lakes Region Water.

21 Q. And, Mr. Naylor, if you could state your name and
22 employment for the record.

23 A. (Naylor) Yes. Mark Naylor, and I'm Director of the Gas
24 & Water Division here at the Commission.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. Okay. Mr. St. Cyr, what is your line of work?

2 A. (St. Cyr) I do accounting and tax work.

3 Q. And, how does that relate to Lakes Region Water
4 Company?

5 A. (St. Cyr) I am involved in their regulatory filings
6 before the Public Utilities Commission, mostly of

7 financings and rate cases.

8 Q. Okay. And, Mr. Mason, if you could just state what
9 your position is with Lakes Region.

10 A. (Mason) I'm the Manager for the water company and the
11 Vice President.

12 Q. Okay. Thank you. And, Mr. Naylor, can you please
13 state what your responsibilities here at the Commission
14 are?

15 A. (Naylor) Yes. I'm the Director of the division. I
16 participate in the workload for mostly water and
17 wastewater dockets and direct the Staff of the
18 division.

19 Q. With respect to this docket, can you please describe
20 your involvement?

21 A. (Naylor) Yes. I've been reviewing all of the
22 information that we have gathered since this docket
23 opened. The Staff requested the Commission to open
24 this proceeding for a review of Lakes Region. And, we

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 have conducted discovery and had numerous discussions
2 with the parties in this proceeding. And, all of that
3 has led to the Agreement which we are presenting this
4 morning.

5 Q. And, Mr. Naylor, with respect to the Agreement, you're
6 referring to Exhibit 1, the Settlement Agreement?

7 A. (Naylor) That's correct.

8 Q. And, did you participate in the creation of that

9 document?

10 A. (Naylor) Yes, I did.

11 Q. And, are you aware of the content of that document?

12 A. (Naylor) Yes.

13 Q. And, Mr. Mason, I'd like to ask you the same thing.

14 Are you familiar with the Settlement Agreement that

15 we've identified as "Exhibit 1"?

16 A. (Mason) Yes, I am.

17 Q. And, Mr. St. Cyr, the same question to you.

18 A. (St. Cyr) Yes.

19 Q. Okay. Thank you. I'd like to start the first line of

20 questioning with Mr. Naylor. And, Mr. Naylor, when

21 you're ready, I'd like you to just summarize, you

22 mentioned that Staff had recommended the Commission

23 investigate Lakes Region in this docket. Can you

24 please summarize what Staff's concerns were?

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 A. (Naylor) Well, last year we became concerned about some

2 issues that had arisen with the Company. We were

3 concerned that the Company may not continue to have the

4 managerial, technical, and financial capabilities to

5 operate the public utility. We filed a letter with the

6 Commission, that letter is dated September 19th of

7 2007. That is in the Commission's record. That letter

8 requested the Commission open this proceeding. And, it

9 provides the detail that you're seeking now with

10 respect to the issues that had arisen. Particularly,
11 there were some concerns about the Company's ability to
12 comply with DES requirements. The Company had run into
13 some pretty significant issues at two or three of its
14 systems. And, particularly, Hidden Valley was a system
15 that had been having significant problems. So, those
16 types of things we felt we ought to take a very close
17 look at, and requested that this proceeding be opened.

18 Q. Mr. Naylor, does this Settlement Agreement address all
19 of the concerns that Staff initially raised?

20 A. (Naylor) Well, I think it's a start. What this
21 Settlement Agreement does is convert this proceeding to
22 a monitoring docket for a period of time. While the
23 Company's planning to make a filing for financing and
24 for step adjustments, certainly, one of the issues

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 we've been concerned with is their financial health and
2 financial capability. The Company has expended a fair
3 amount of capital in the last couple of years, and not
4 having those improvements in rates has certainly been
5 an issue. So, the Company is planning, and I guess
6 that filing is imminent, for a financing approval and
7 some step adjustments. We want, in that docket, to
8 look at the Company's overall financial health. We
9 want to look at capital structure, we want to
10 understand their continuing ability to access capital.
11 And, so, I think there's some issues that need to be

12 explored in that proceeding.

13 Secondly, the reason for requesting that
14 this proceeding become a monitoring docket for a period
15 of time is to let the Attorney General's review of the
16 Company's actions in Tamworth, that were also detailed
17 in my September 19th letter, be concluded. Once those
18 two processes are completed, it's my expectation that
19 Staff and the other parties will make further
20 recommendations to the Commission.

21 Q. Mr. Naylor, I'd like to move specifically to the
22 Settlement Agreement now. You've touched on some of
23 the issues, but I'd like to draw your attention to
24 Page 2, and specifically the financing and step

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 adjustment filing section. And, can you please
2 summarize what Staff and the Company are agreeing to
3 here?

4 A. (Naylor) Yes. This section recognizes that the Company
5 is planning to make a filing within the next week for
6 approval of new financing and for consideration of step
7 adjustments for plant additions that are in service or
8 are going in service soon.

9 As I mentioned earlier, the Company has
10 expended a lot of capital in the last year or two for
11 plant additions which are not yet in rates. The
12 Company did conclude a full rate case, I believe about

13 18 months ago, but a lot of those improvements were not
14 picked up in that case. So, those improvements need to
15 be considered for rates, and we will certainly be
16 looking at, consistent with the review we always do in
17 financing proceedings, the impact on the Company's
18 capital structure and its ability to continue to access
19 capital.

20 Q. Mr. St. Cyr, I'd like to ask you a question or two

21 about this section. Are you participating in the
22 creation of this financing filing?

23 A. (St. Cyr) Yes.

24 Q. And, can you please just describe what you're doing?

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 A. (St. Cyr) I think my description may actually be more
2 appropriately described a little later on in the
3 document. And, if you look under Section E-ii,
4 "Financing", --

5 Q. You're referring to Page 6 of the Settlement Agreement,
6 correct?

7 A. (St. Cyr) Actually, mine doesn't have a page number.
8 Is it Page 6?

9 Q. I believe it's "Page 6 of 9" in the top left corner?

10 A. (St. Cyr) Oh, yes, "6 of 9", Section E.ii. The
11 specific projects that the Company is including in its
12 request for financings are identified there. It
13 includes the conclusion of the water storage tank at

14 Paradise Shores, some wells and engineering associated
15 with improvements at Hidden Valley, the repiping and
16 replumbing of the system at 175 Estates, the
17 interconnection between Gunstock Glen and Brake Hill,
18 and the remodeling of the pump station for Gunstock
19 Glen. It also includes some well and improvements at
20 Indian Mound, and the replacement of one vehicle, and
21 the addition of a second vehicle. It's those
22 particular projects, some of which are already in
23 service and some of which will come into service in
24 2008.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. And, you are planning to file this by May 15th on
2 behalf of the Company, is that correct?
3 A. (St. Cyr) Yes.
4 Q. Mr. Mason, with respect to the SRF funds that are
5 referenced back on Page 2 in the "Financing and Step
6 Adjustment" section of the Settlement Agreement, the
7 Settlement Agreement states that "Lakes Region has
8 already made contact". But I'd like to just have you
9 describe in a little bit more detail what Lakes Region
10 has done as far as either filing an application,
11 obtaining an application for these funds.
12 A. (Mason) I have talked to Rick Skiranka, who is the
13 person from DES that handles the SRF funding, went over
14 the project that I, you know, would like to apply for.
15 The application, the initial application, which is only

16 a one-page application, is due tomorrow, which he'll
17 have on his desk. And, then, we'll see if we make the
18 cut for the full application, which I believe is in
19 June. That's pretty much what's going on. SRF funds
20 are only available for projects that are upcoming.
21 They can't fund anything that's already started. So,
22 that kind of limits us a little bit on all these
23 projects that we have underway at this point.

24 Q. Thank you. Mr. Mason, I'd like to stay with you and

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 proceed to the next section, which is the "Managerial
2 Capability" section of the Settlement Agreement. It's
3 on Page 3.

4 A. (Mason) Okay.

5 Q. And, it states, in the first paragraph, that you have
6 now assumed the responsibilities as Vice President.
7 And, I'd like you to just describe what these
8 additional responsibilities are.

9 A. (Mason) I'm taking over the managing, the complete
10 managing of the Company, as far as what's, you know,
11 the workload, projects, issues that we're having, any
12 correspondence with DES or PUC, and basically manage
13 the Company in complete, you know, completely at this
14 point.

15 Q. And, Mr. Mason, the second paragraph describes
16 "bi-weekly management meetings". And, can you please

17 state when these started?

18 A. (Mason) We started some of them earlier, probably two
19 months ago. We haven't had that many of them. My
20 parents have been fairly sick, with my mother having a
21 back operation and my dad also falling and hurting his
22 back. So, they have been kind of down and out for a
23 little bit. So, we haven't -- we haven't had more than
24 probably three of them. We need to start, they're

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 getting better now, so, at this point, we'll probably
2 start having them on a, you know, getting back on
3 track.

4 Q. Okay. Mr. Mason, can you tell me what is the role now
5 of your parents in managing this company?

6 A. (Mason) Presently, both of them are pretty sick, and
7 they're fairly elderly at this point. And, I believe,
8 at this point, they're just -- they're pretty much
9 retired.

10 Q. Does your father, health permitting, is he still
11 participating in any of the work of the Company?

12 A. (Mason) No. I mean, just basically checks on us a
13 little bit, but that's about it.

14 Q. Okay. Is it fair to characterize that he's kind of
15 tinkering around with the Company on small jobs then?

16 A. (Mason) Yes. He just drives around with one of the
17 guys. And, like I say, he hasn't been out in his
18 pickup or anything, just because of his back health.

19 And, hopefully, that will get better here soon. But,
20 presently, he's just kind of watching.
21 Q. Mr. Mason, if I could just stick with you, and move
22 onto the next paragraph that talks about the "quarterly
23 meetings'. These have not yet begun, is that correct?
24 A. (Mason) No.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. And, what is your sense, what is your expectation that
2 these quarterly meetings will cover for issues?
3 A. (Mason) Just go over anything that is up and coming.
4 Our water systems are kind of what I want to call
5 "developer-built water systems". And, the problem with
6 them is that they're all basically the same age,
7 they're all having issues that come along with the age
8 of the water systems, which is, you know, they were
9 built in the earlier '70s, late '60s. And, it's kind
10 of a moving target. So, this, you know, with these
11 meetings, we'll be able to go over what is upcoming
12 and, you know, the different things that DES is coming
13 up with. I mean, we kind of -- we get letters all the
14 time and all of a sudden from the DES saying, you know,
15 "you have to take care of this or that or whatever" on
16 these systems.
17 Q. And, the information that you described, is that what's
18 going to be included in an "action plan" that's
19 referenced in here?

20 A. (Mason) Yes. Yes.

21 Q. And, this action plan, this is going to be a document
22 that Lakes Region is going to be generating for these
23 meetings?

24 A. (Mason) Correct.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. I'd like to just move on, I'm on Page 4 of the
2 Settlement Agreement, and there's a discussion about a
3 change in Norm Roberge's employment or his
4 responsibilities. If you could please describe whether
5 this has happened, if it hasn't happened yet, what's
6 going to happen?

7 A. (Mason) Norm's been around an extreme amount lately
8 with all this going on and the end of the year and the
9 annual report and everything else. So, what is
10 happening now, he and I have discussed a little better
11 plan as far as so many hours a month or so many hours a
12 week or whatever, however it works out. We haven't got
13 that far along just because he's pretty much been there
14 every day. And, once we get through, you know, the
15 annual reports and this rate case and the up and coming
16 financing, then we'll probably sit down and talk a
17 little bit more about it. Both of us have agreed in
18 principle that we're going to work out something to,
19 you know, to have him around a certain -- probably a
20 number of hours a month, to try to help us out with the

21 running of the Company, you know.

22 Q. Okay. Can I next have you, Mr. Mason, comment on the
23 licensed operator that's on Page 4 of the Settlement
24 Agreement under the section "Personnel"?

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 A. (Mason) Sure.

2 Q. How has the licensed operator been working out?

3 A. (Mason) Oh, great. He's a young man that's had his
4 license a couple of years and he's doing a great job.
5 He's caught on quick and working out very well.

6 Q. With respect to the next paragraph, "Consumer
7 Communications"?

8 A. (Mason) Uh-huh.

9 Q. It says that "the Company is in the process of setting
10 up service with One Call Now". And, there's no
11 description of a time frame for this. So, I was hoping
12 you could describe now what -- when does Lakes Region
13 expect to have this One Call Now established?

14 A. (Mason) I believe within the next month. So, what's
15 happening right now is they have already set up the
16 account with them, but there's a lot of data that they
17 have to download to get the calls out to the people,
18 you know, phone numbers, things like that. We're doing
19 the research for that right now to try to get as many
20 people's phone numbers as we can to input into the
21 system so that they can be called, you know, by this
22 automated system.

23 Q. Now, how will the Company use this automated system?

24 A. (Mason) What we're going to try to do is use it if

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 there's an outage, if there's a planned outage, if
2 there's some sort of a reason. You know, just try to
3 keep everybody on board on, you know, if we're going to
4 have to do some maintenance one day and try to get
5 ahold of them and say, you know, "on such and such a
6 date, the water is going to be intermittent for a few
7 hours", to try to save, you know, people a little bit
8 of heartache on the water just turning off.

9 Q. Okay. So, I guess I'll pose a hypothetical. If Hidden
10 Valley has service line issues in some of the sections,
11 if a service line or if there's a leak, and the Company
12 doesn't know where it is, is that the kind of situation
13 where the One Call Now will be implemented, so that
14 everyone in Hidden Valley knows what the Company's
15 doing?

16 A. (Mason) Yes. Correct. Trying to get as many people to
17 know what is actually happening and why they maybe have
18 low pressure or a problem with water that day.

19 Q. Okay.

20 A. (Mason) Without physically having to go out and tell
21 everybody.

22 Q. Thank you. Mr. Naylor, I'd like to turn to you a
23 little bit about the managerial capabilities, and

24 specifically the quarterly meetings that Staff will be
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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 involved with with the Company. And, can you please
2 describe what Staff seeks to get out of these quarterly
3 meetings?

4 A. (Naylor) Well, I think these meetings are consistent
5 with our recommendation at this time that this docket
6 be a monitoring docket. I think we need, as Staff, and
7 the other parties certainly are welcomed to do so as
8 well, to understand what's going on, what the
9 priorities are that the Company is looking at,
10 certainly to interface with the DES staff regularly so
11 that we understand what they're looking at. I think
12 it's just to keep us informed and just to understand
13 the problems that the Company's facing, and certainly
14 to understand whether they continue to have the
15 financial ability to handle the issues that are coming
16 up. Because some of them are pretty significant, the
17 amount of money that they need to make repairs or to
18 upgrade systems, such as Hidden Valley, are pretty
19 substantial. And, so, I think it's just consistent
20 with our recommendation here that this be a monitoring
21 docket for a period of time.

22 Q. Does Staff expect to play a lead role in setting up
23 these quarterly meetings?

24 A. (Naylor) Yes. Yes, we will.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. And, is it the intent -- well, it states in the
2 Settlement Agreement the intent is to allow the
3 property owners at Suissevale to be involved in issues
4 that pertain to them, and the Hidden Valley folks as
5 well. Are these going to be public meetings or just
6 limited to the intervenors in this docket?

7 A. (Naylor) What we've indicated in the agreement is that
8 these would be meetings with Commission Staff, the OCA,
9 DES staff, and, if there are issues related to Hidden
10 Valley or to Paradise Shores, which also serve
11 Suissevale, then representatives of those groups are
12 welcome to attend.

13 Q. And, Mr. Naylor, I'll ask you a general question,
14 because I know Mr. Mason had talked specifically about
15 many of the components in this section. But was there
16 anything else that Staff wanted to comment in this
17 "Managerial Capability" section?

18 A. (Naylor) I think the Company, working with Mr. Roberge,
19 to I think, you know, professionalize, I guess, for
20 lack of a better term, the Company's handling of its
21 financial affairs I think is a positive step. I've
22 encouraged that. I felt that that was something that
23 the Company was lacking, to have a regular presence in
24 the Company looking at the day-to-day cash flow

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 planning for future financing, planning for the
2 improvements that are needed, and sort of making things
3 happen from a financial perspective. And, I had
4 recommended that the Company consider a business
5 manager. What they have proposed is to work with
6 Mr. Roberge, who has been working with the Company for
7 a number of years, and that's certainly acceptable.
8 But it's to really, you know, sort of upgrade their
9 financial capabilities. And, I think it's a positive
10 step, and I'm encouraged by that.

11 Q. Thank you. Mr. Mason, I'd like to move on to the next
12 section of the Settlement Agreement, it's the
13 "Technical Capabilities" section.

14 A. (Mason) Uh-huh.

15 Q. And, I'd like to ask you, with the systems that are
16 listed here, with respect to Deer Run, the Company has
17 listed here that it has done some work and that it has
18 been completed. Is there any new work that needs to be
19 done to satisfy any DES or EPA requirements at Deer
20 Run?

21 A. (Mason) No, not presently.

22 Q. Okay. And, the same question with Echo Lake Woods?

23 A. (Mason) No, not presently.

24 Q. When you say "not presently", are you anticipating --

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 A. (Mason) Well, it's a moving target. It's hard to say.

2 You know, right this second, definitely nothing.

3 Doesn't mean next week I don't have something come up,

4 a new -- something that changes at DES that we need to

5 attend to.

6 Q. Okay. Fine. Can I just have you turn to Page 5, and,

7 with respect to Woodland Grove, is there anything else

8 to be done --

9 A. (Mason) No.

10 Q. -- that's not listed here?

11 A. (Mason) No.

12 Q. And, with Lake Ossipee Village, are there other DES or

13 EPA requirements to be done?

14 A. (Mason) No.

15 Q. And, Brake Hill/Gunstock Glen?

16 A. (Mason) Yes. We're still -- We need to do the

17 interconnection between the two systems and some final

18 things that we've been waiting on DES approval of that

19 for eight months probably.

20 Q. Has DES indicated when it will issue its approval?

21 A. (Mason) No.

22 Q. Okay. I'll move on to Wentworth Cove. Is there

23 anything to be done on this system?

24 A. (Mason) No.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. Pendleton Cove?

2 A. (Mason) No.

3 Q. And, I will skip over Paradise Shores for now. Moving
4 onto West Point?
5 A. (Mason) They're all set.
6 Q. Okay. Far Echo Harbor?
7 A. (Mason) That's all set also.
8 Q. Indian Mound?
9 A. (Mason) All set.
10 Q. Deer Cove?
11 A. (Mason) I believe there's a little bit of work to be
12 done inside the pump station on the -- on the interior
13 that we wanted to do. It's upcoming, but it's a very
14 minor project.
15 Q. Okay. This will likely be discussed on the action
16 plan?
17 A. (Mason) Yes.
18 Q. Moving onto Tamworth Water?
19 A. (Mason) We were just recently notified by the State
20 that we need to install another well.
21 Q. Okay.
22 A. (Mason) So, that's upcoming. That's the SRF funding
23 that I was speaking to.
24 Q. Thank you. With respect to 175 Estates, any work to be

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 done for DES or EPA requirements?
2 A. (Mason) No.
3 Q. And, the White Mountain/Resort Gateway?
4 A. (Mason) The only thing that's up and coming there is

5 the backup booster installation isn't completed yet.

6 Q. Do you have a date of completion estimated?

7 A. (Mason) Oh, kind of a little bit low on the priority
8 list right now, but I would say within the next six
9 weeks.

10 Q. Okay. I'm going to move back up to Paradise Shores,
11 and ask the question "What is to be done here and that
12 needs to be done to satisfy DES or EPA requirements?"
13 I think it may be helpful to turn to the schedule that
14 was submitted on Page 10. Is that helpful to you to
15 describe what work needs to be done?

16 A. (Mason) Sure. Yes. Everything's going well on that.
17 The tank's all backfilled. That's completed. The
18 pipes installed around the tank. They're supposed to
19 set the covers, that moved a little bit, that's moved
20 up till Monday, this coming Monday. The completion of
21 the water main is on schedule, they're digging as we
22 speak. May 16th for completion of the tank
23 construction I believe is still on time. Installing
24 controls, that's on time. And, we're hoping for, you

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 know, short of any ledge problems or anything else, to
2 be -- to have it online by the 20th of June.

3 Q. Now, when you say "install controls", what does that
4 mean?

5 A. (Mason) Oh. All that means is that we need to -- the

6 well field is currently -- that we're currently using
7 is about, oh, 4,500 feet away from the actual tank, and
8 then we need the pump station and the tank to talk to
9 each other so that it knows when to fill and when
10 there's any issues.

11 Q. Okay. Now, this water tank project will affect the
12 service to Suissevale, is that right?

13 A. (Mason) Yes.

14 Q. And, has Lakes Region coordinated with Suissevale as to
15 any work that Suissevale may need to do?

16 A. (Mason) As far as we know, they should be all set.
17 There's a possibility that they might have to add a few
18 pressure reducer valves in some of the houses down
19 there at the entrance. But we, according to the
20 engineering that we've looked into, it doesn't look
21 like it probably will be an issue.

22 Q. Okay. Mr. Mason, I'd like to ask you a couple of
23 deadline questions that pertain to Paradise Shores.
24 And, there was a March 31st deadline to submit to DES a

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 plan to address a possible water shortage during the
2 Summer of 2008. I'm reading from a letter that was
3 dated March 5th, directed to your father. Are you
4 aware of that issue, that deadline?

5 A. (Mason) Yes. Can you say the dates again? I missed
6 it.

7 Q. DES requested, "by March 31st 2008, submit to DES a

8 plan to address a possible water shortage during the
9 Summer of 2008."
10 A. (Mason) Uh-huh. I believe that was completed by Lewis
11 Engineering, I don't know the actual date. I'm not
12 exactly sure of the date, but that was completed by
13 Lewis.
14 Q. Now, if the tank is online by June 20th or June 30th,
15 do you expect that would be a resolution of the
16 possible water shortage?
17 A. (Mason) Yes, that, and also we worked on one of the
18 existing wells recently, and I think we significantly
19 increased the flow from that well.
20 Q. Okay. There's another deadline here, "April 30th,
21 2008, submit to DES an assessment of the present and
22 future water demand at the system." Are you familiar
23 with that?
24 A. (Mason) I believe that was all done in the same letter
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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 --
2 Q. Okay.
3 A. (Mason) -- or the same report from Lewis.
4 Q. Okay. Thank you. I appreciate you answering that. We
5 had skipped over, in our list of what Lakes Region had
6 yet to do on these systems, we skipped over Hidden
7 Valley. And, I'd like to turn to you now and have you
8 explain what else needs to be done at Hidden Valley.

9 A. (Mason) In December, I believe, we deepened one of the
10 existing wells and significantly increased the volume
11 of water from that well. We had a deadline of
12 April 29th, I believe, to have a report in, a
13 preliminary report for that well. I think we missed it
14 by a day, I think it was -- or two days, it was in on
15 May 1st, that report. We, since then, on the 5th, have
16 gotten a letter back from Steve Roy, acknowledging the
17 report and some things that he wants done during the
18 next phase, which is the pump test. That's a couple of
19 weeks away.

20 Q. Okay. And, I'm turning to Pages 11 through 16 of the
21 Settlement Agreement from Lewis Engineering. Lewis
22 Engineering is Lakes Region's engineer for the DES
23 issues, is that correct?

24 A. (Mason) Correct.

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1 Q. And attached to this March 21st Lewis Engineering
2 letter was a spreadsheet, it's the last two pages of
3 the Settlement Agreement. And, the spreadsheet is
4 dated March 18th, 2008. And, I've noted that items
5 number 3, 7 and 8 occurred after the date that this
6 spreadsheet was created and have since passed. And, I
7 was wondering, with respect to number 3, if you could
8 say whether this has been done? I think you just
9 alluded to it.

10 A. (Mason) Yes. The Well Siting Report was actually
11 submitted on the 1st of May. And, it was -- yes. What
12 was the next one?

13 Q. Did DES know that this was going to be late?

14 A. (Mason) Yes, I talked to Steve Roy and told him it was
15 going to be a couple of days late.

16 Q. With respect to number 7, "Design improvements for
17 upgrading of Upper Pump House for metering, controls,
18 pumping and piping", that had a date associated with it
19 of May 5th?

20 A. (Mason) Yes. What happened, on the 19th of April, our
21 engineer had started to e-mail back and forth with
22 Sarah Pillsbury from the State on some questions he had
23 about whether they were going to allow some pressure
24 pumps in some of the houses. He didn't receive a

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1 response for that until the 6th of May. After four or
2 five e-mails to Sarah, he finally got a response on the
3 6th of May. So, he couldn't even start his project,
4 the engineering, until he had an answer on whether they
5 were going to give him a waiver on that or not. So,
6 that's in process now.

7 Q. Okay. Has DES set a different date or moved the May
8 5th date?

9 A. (Mason) I haven't talked to him, because this all
10 happened just the other day.

11 Q. Okay. Item number 8, "Design improvements for PRV

12 vault to be installed in distribution system", that
13 also had a May 5th date?
14 A. (Mason) That's -- Yes, and that's also part of that
15 same, that was directly related to the information that
16 he needed from Sarah, whether they were going to give
17 the waivers or not.
18 Q. I think those were the only dates in here that had
19 passed that I wanted you to update.
20 A. (Mason) Uh-huh.
21 Q. Mr. St. Cyr, I'd like to move on with questions for you
22 please. And, I'm on Page 6 of the Settlement
23 Agreement, under the "Financial Capabilities". Under
24 the section "Capital Expenditures/Source and Use of

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1 Funds", there's a "source and use of funds statement".
2 Do you know who will be creating that?
3 A. (St. Cyr) It will probably be created by Mr. Roberge.
4 Q. And, I believe you've already described from this
5 section in my earlier question, your involvement is to
6 prepare and submit on behalf of Lakes Region the
7 financing filing?
8 A. (St. Cyr) That's correct. The only thing that I would
9 additionally add is that the Company also expects that
10 financing will include an equity contribution by the
11 owners.
12 Q. Thank you. Mr. Naylor, I'm going to move back to you

13 on the "Financial Capabilities" section. And, I
14 believe in the earlier discussion of financing you
15 touched on what Staff's goals were here. Did you have
16 anything else that you wished to add?
17 A. (Naylor) No, I think most of it's been touched on. We
18 want to review what the capital structure is going to
19 look like going forward, that's an important issue, to
20 make sure there's a balanced capital structure.
21 Certainly, we want to look at the overall cost of
22 capital. And, I think potentially getting some State
23 Revolving Funds would be helpful, since those are a
24 relatively low interest rate, certainly that would help

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1 with the overall cost of capital. So, I think, you
2 know, a lot of that review is still to come. But I
3 think the overriding goal is certainly to make sure the
4 Company is financially healthy. And, the issues
5 related to that we'll be looking at very closely.
6 Q. Mr. Naylor, I just have a few summary questions. Does
7 the Settlement Agreement resolve all of Staff's
8 concerns in this docket?
9 A. (Naylor) No. I think, as I indicated earlier, we see
10 it as a good start. Excuse me. We, through this
11 agreement, if the Commission approves it, we'll be
12 creating a monitoring docket for a period of time, as I
13 indicated earlier. We will be looking at financing and
14 the step adjustments, and awaiting the results of the

15 Attorney General's investigation with respect to the
16 Tamworth well issue. And, so, at that time, once those
17 two processes have concluded, then Staff and,
18 certainly, the other parties can make further
19 recommendations, but we feel that this is an
20 appropriate way to move forward. We'll continue to
21 work with the Company, we'll continue to interface with
22 DES staff, the other parties to this proceeding, and
23 monitor the Company's progress. So, they have
24 certainly made some significant changes since last year

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1 and have made some commitments with this Settlement
2 Agreement, which we think are positive. So, we'll
3 continue to work with the Company and the other parties
4 and make further recommendations at a later date.

5 Q. Mr. Naylor, one last question with respect to the
6 quarterly meetings that Staff will be coordinating and
7 setting up with the Company and intervenors. Staff
8 will be sending a copy of the dates to the Commission,
9 is that correct?

10 A. (Naylor) I believe that's correct. I don't recall if
11 we actually committed to making filings with the
12 Commission as a result of those meetings.

13 Q. Are you talking in terms of reports after the meetings?

14 A. (Naylor) Yes. I don't believe we committed to making
15 filings with the Commission.

16 Q. But, if the Commission requested that, Staff would be
17 willing to provide a summary report, is that correct?
18 A. (Naylor) Certainly, yes. I'm looking at the bottom of
19 Page 3 and top of Page 4. We state that "As a result
20 of these quarterly meetings, action plans could be
21 modified or new action plans could be proposed if it is
22 an issue which had not been addressed previously. Any
23 changes will be filed with the Commission." So, I
24 think that certainly gives us the leeway to provide

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1 updates to the Commission as we move forward.

2 MS. THUNBERG: Thank you.

3 BY MR. MULLEN:

4 Q. Mr. Mason, just a couple of questions. How many
5 systems are there in Lakes Region Water?

6 A. (Mason) I think Steve might be able to answer that
7 better than I do.

8 A. (St. Cyr) I think there's 18, including what they refer
9 to as a "common system".

10 Q. And, in the recent past several years, has the Public
11 Utilities Commission asked you to acquire any of those
12 systems?

13 A. (Mason) Yes.

14 Q. Do you know how many?

15 A. (Mason) Over the years, a few of them. I'm not really
16 sure how many. I wasn't that involved at the time.

17 Q. And, what was the condition of those companies when you

18 were asked to acquire them?

19 A. (Mason) They're all developer -- what I call
20 "developer-built systems", the majority of our systems,
21 which means that, you know, they were put together by
22 people that wanted to put them together, sell the
23 houses, and get out of town. And, as they probably
24 found out lately with places like Birch Hill and Locke

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1 Lake, that these systems are pretty -- you know,
2 weren't built to correct standards, and a lot of them
3 over the years have been upgraded a lot, but they're
4 all at the same lifespan and they're all getting to the
5 point where there's a lot of piping that needs
6 changing, a lot of it was too small, a lot of it the
7 pump stations weren't built correctly. Just a lot of
8 different things going on. And, obviously, it's a lot
9 more costly today than it was back then when they built
10 them to replace them.

11 Q. Shifting gears a little bit, you talked about the water
12 storage tank at Paradise Shores being on schedule.

13 A. (Mason) Yes.

14 Q. And, you said that you anticipated that it would remain
15 on schedule unless you -- it might be altered slightly
16 if you hit ledge?

17 A. (Mason) Yes, we had -- I doubt it. We don't anticipate
18 there's very much ledge. We had the blasting company

19 basically test probe the whole area that we are putting
20 the water main the other day and they didn't encounter
21 any more ledge than we originally hit, which was only a
22 small 100-foot section.

23 MR. MULLEN: I don't have any other
24 questions.

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1 MR. PATCH: Mr. Chairman, I do have some
2 questions for Suissevale. I just wanted to note for the
3 record that, though the Settlement Agreement was set up
4 for Suissevale to sign, they did not sign the Settlement
5 Agreement because they were concerned that there was not
6 sufficient detail in what is Page 10, which is the --
7 supposed to be a detailed work schedule, but, you know, it

8 wasn't as detailed as Suissevale would have hoped. And,
9 so, I have some questions that I would like to ask on
10 their behalf, if I could?

11 CHAIRMAN GETZ: Please.

12 MR. PATCH: And, these would I think
13 primarily be directed at you, Mr. Mason. Although, if
14 they're for Mr. Naylor or Mr. St. Cyr, I'll indicate
15 otherwise.

16 CROSS-EXAMINATION

17 BY MR. PATCH:

18 Q. Are you familiar with the Capital Contribution
19 Agreement dated August 14th, 2007 between Suissevale

20 and Lakes Region?

21 A. (Mason) Yes.

22 Q. And, do you know how much Suissevale has contributed
23 toward the construction of the water storage facility
24 to date?

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1 A. (Mason) Steve probably knows an exact number better
2 than I do, but I think it's around 200,000.

3 Q. That's consistent with my understanding. But I don't
4 know, Mr. St. Cyr, if you --

5 A. (Mason) Probably not an exact number.

6 A. (St. Cyr) That's also my understanding, 200,000.

7 Q. And, are you aware that the agreement required that the
8 facility be up and running by January 1 of 2008 or
9 Lakes Region would have to refund the capital
10 contribution to Suissevale?

11 A. (Mason) Yes.

12 Q. And, are you familiar with letters that Suissevale has
13 sent to Lakes Region, one dated December 4th and one
14 dated March 17th, reminding Lakes Region of this
15 particular provision?

16 A. (Mason) Yes.

17 Q. And, are you aware of the fact that the March 17th
18 letter demanded a detailed construction schedule and a
19 response by April 15th of 2008 or, you know, they
20 threatened to take certain action, you know, if they
21 failed to receive that?

22 A. (Mason) Yes.

23 Q. And, are you familiar with the letter that your

24 attorney sent to Suissevale dated April 15th, which was

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1 a response to that March 17th letter, but which did not

2 contain a detailed construction schedule?

3 A. (Mason) No. I might -- I don't remember it, but I'm

4 sure it's there.

5 Q. Okay. I mean, I've got a copy of it, if you would like

6 to take a look at it?

7 A. (Mason) Yes, that would be great.

8 (Atty. Patch handing document to Witness

9 Mason.)

10 MR. PATCH: Mr. Chairman, I'm not sure

11 I'll need to introduce it as an exhibit, but I just wanted

12 to make sure he was familiar with that.

13 WITNESS MASON: What was your question,

14 Doug?

15 BY MR. PATCH:

16 Q. Well, this particular letter does not contain a

17 detailed work construction schedule, does it?

18 A. (Mason) No.

19 Q. And that it doesn't indicate that there's an attachment

20 to the letter?

21 A. (Mason) No.

22 Q. And, are you aware of the fact that, on behalf of

23 Suissevale, I've communicated with your letter that
24 Suissevale was not -- communicated with your attorney
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1 that Suissevale was not satisfied with the April 15th
2 letter and they needed a detailed construction
3 schedule?

4 A. (Mason) I'd heard from Dan about that, I didn't see
5 anything in writing. But that's what we thought we
6 were addressing with this short schedule.

7 Q. So, I mean, your --

8 A. (Mason) I have no problem updating it, you know, making
9 it more detailed for you, if that's what you're asking.
10 It's not a problem.

11 Q. Yes. That's basically what I think Suissevale has been
12 asking for for some time. You're familiar with the
13 work schedule that's included with the Settlement
14 Agreement?

15 A. (Mason) Uh-huh.

16 Q. Is that correct? Did you prepare that?

17 A. (Mason) Yes.

18 Q. And, how did you develop the proposed completion dates
19 for each of the tasks that are listed in there?

20 A. (Mason) Just basically went over the time and what I
21 thought it was going to take to do, you know, which
22 sections of the project and what we had for schedules.
23 At that time, we had a set schedule for the covers, it
24 got moved off a couple of days because of a crane

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1 issue. But I just went down and basically took a
2 calendar and worked with the time table that we had.
3 Yes. And, also, my company is doing -- LRW Water
4 Service is doing the work anyways, so kind of have
5 control over it.

6 Q. I think you just indicated that you'd be willing to
7 provide a detailed construction schedule to Suissevale,
8 is that correct?

9 A. (Mason) Sure. Yes.

10 Q. When could you provide that by?

11 A. (Mason) I could have something to you tomorrow.

12 Q. And, just so that we're clear on what "detailed" means,
13 --

14 A. (Mason) That was my next question.

15 Q. Well, maybe my next question first, and then, if you
16 have a question, you can ask it. But, obviously,

17 attached to the Settlement Agreement there is a fair
18 amount of detail about Hidden Valley, you know, in
19 contrast to what was provided about Paradise Shores.
20 And, I'm not sure that we need something as lengthy as
21 that, but I think my client would be very interested in
22 something that provided, and maybe if I just try to
23 provide you some of the things that I think they're
24 looking for, maybe I'll ask you a couple more questions

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1 related to that. But, if you could provide that, that
2 would certainly make my client very happy, because I
3 think they feel as though they have contributed a
4 significant amount of money and they haven't really
5 received anything in writing that spells out the
6 schedule and the detail related to it.

7 A. (Mason) Okay. I can do that.

8 MS. THUNBERG: At this point, Staff
9 would like to ask that this document be entered as a
10 record request with a identifying exhibit number of number
11 2, because Staff would be very interested in having the
12 similar detail that was provided with Hidden Valley, have
13 that same detail with the Paradise Shore project as well.
14 And, I think it would be beneficial to this proceeding to
15 have that detail in the exhibit record.

16 CHAIRMAN GETZ: You're not speaking now
17 to the exchange of letters, but what the resulting
18 schedule would be?

19 MS. THUNBERG: That's what Staff
20 proposes as the record request, is the final product with
21 the detail in it.

22 CHAIRMAN GETZ: Okay. We'll reserve
23 Exhibit Number 2 for the detailed schedule.

24 (Exhibit 2 reserved)

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1 MR. PATCH: We certainly support that
2 and appreciate Staff suggesting that.

3 BY MR. PATCH:

4 Q. And, do you have a start and end date for each task
5 that's included in there? You obviously have an end
6 date, --

7 A. (Mason) Yes, we have an end date.

8 Q. -- but do you have a start date?

9 A. (Mason) Not really. Like setting the covers and the
10 concrete work, I mean, I kind of get an estimate from
11 the concrete contractor. But it's definitely -- I
12 basically informed him I just needed it done as soon as
13 we could get it down and completed. The pipeline
14 itself, I'm still working with the DOT on a couple of
15 issues that we had with them, as far as placement of
16 the pipe, but we're actively laying water main every
17 day. So, it's --

18 Q. Do you have an estimate of how many manhours would be
19 necessary to complete the task?

20 A. (Mason) Not off the top of my head, but I can work on
21 that.

22 Q. And, you obviously have contractors that are scheduled
23 to perform certain work, --

24 A. (Mason) Correct.

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1 Q. -- what you prescribed. You know, perhaps what you

2 submit to the Commission could include some detail on
3 that?

4 A. (Mason) Sure.

5 Q. And, do you have -- what allowances has Lakes Region
6 made to ensure that it can do this project along with
7 other existing service or maintenance obligations?

8 A. (Mason) Well, --

9 Q. Is this is a priority?

10 A. (Mason) Yes, this is definitely a priority. I mean,
11 we're going to stay with this project and complete it.

12 Q. Now, I think a little bit earlier in your testimony you
13 talked about how the Company that is doing the blasting
14 had done some sort of analysis of whether there was
15 additional ledge. I don't know if you could provide a
16 little bit more detail about that. But you suggested,
17 I think, if I understood you correctly, that you didn't
18 think there was much more ledge there?

19 A. (Mason) No. What we had them do is we had them bring
20 in a drill rig, and what they did is about every 50
21 feet they drilled down into the dirt to check to see if
22 there was ledge there. We didn't actually expect to
23 hit ledge up where we hit it. We hit a little spot
24 that was probably less than 100 feet, and I was

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1 concerned that there were more places that would
2 appear. So, I had them test bore all the way down from

3 one end of the project to the other every 50 feet, and
4 they didn't encounter anything else that they were
5 worried about. I mean, it doesn't necessarily mean
6 there isn't a little bit in between one of those spots,
7 but there isn't very much of it. That's the good
8 thing.

9 Q. Okay. I mean, that kind of information is very helpful
10 to my client, just to know that, I think, to know that
11 you've taken those steps.

12 A. (Mason) Yes.

13 Q. If the 12-inch main on Route 109 is delayed by one week
14 or more, how does that affect the overall schedule?

15 A. (Mason) If it's delayed by a week? We should have
16 plenty of time. I mean, you know, with the schedule
17 that I had, we figure we'll be -- we should be done
18 before the projected date, but I gave myself an extra
19 week and a half above what I think it will take to do.

20 Q. And, if there is a delay in the completion of any
21 particular task, do you have a plan on how to make up
22 lost time? Working overtime, extra staff, anything
23 like that?

24 A. (Mason) Everything. I mean, we're going to have it

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1 online, whatever we have to do to get it on line.

2 Q. And, do you have all necessary materials on site?

3 A. (Mason) Yes.

4 Q. Have all the necessary equipment to complete the

5 project on site?

6 A. (Mason) Yes.

7 Q. All necessary approvals or permits?

8 A. (Mason) Yes. Well, actually, the DOT permit, I had to

9 update some of the maps. I don't actually have that in

10 my hand right now. I'm supposed to have the paperwork

11 for that tomorrow, and then meet with the DOT on

12 Monday. But it's more of a formality than anything

13 else.

14 Q. Just a couple of things related to the Settlement

15 Agreement itself. On Page 5, under "Paradise Shores",

16 where Ms. Thunberg took you through that particular

17 provision, I just wanted to note that it says "The

18 325,000 gallon tank will be completed and in service by

19 June 30th, 2008." Is that what it says?

20 A. (Mason) Yes, it does.

21 Q. And, that's your understanding of what it requires?

22 A. (Mason) Yes.

23 Q. Okay. There's been some discussion about SRF funds.

24 And, maybe if I just switch quickly to the section of

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1 the agreement that relates to the -- it says "Montegue

2 wells"?

3 A. (Mason) Yes, that's a piece of property that's

4 purchased, a 40-acre piece of property, to possibly put

5 wells on. It's presently owned by my parents

6 individually. We're doing some test wells on that
7 piece of property to see if it will support wells to
8 help out with the water supply for both Balmoral and
9 Suissevale.

10 Q. On Page 6 of the Settlement Agreement, under the E, the
11 i paragraph there, it refers to "As part of the
12 capital/financing requirements to be filed on May 15,
13 Lakes Region agrees to address requirements associated
14 with land and wells" for that property. Is that
15 correct?

16 A. (Mason) Yes.

17 Q. Could you explain to the Commission, and for the
18 benefit of my client, a little bit more about what you
19 intend to include in that filing as it relates to this
20 particular project?

21 A. (Mason) Maybe that's something for Steve more than me.

22 A. (St. Cyr) I guess we would envision it being a
23 component of the construction budget, if, in fact,
24 there is a construction plan associated with that

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 property. And, if, in fact, there is a construction
2 component, then how the Company would finance that
3 particular component.

4 Q. Do you envision that SRF money would be used in any way
5 for this project?

6 A. (St. Cyr) No.

7 Q. And, this is a project which, if I understand
8 correctly, Lakes Region is under some direction by DES
9 to work on. Is that fair to say?

10 A. (Mason) Well, we need to update our source
11 requirements, increase the source that we have
12 available to us. Doesn't necessarily mean it's that
13 piece of property. We can also work in the existing
14 well fields that we already have existing, which we've
15 started -- which we did. We've worked on one of the
16 wells and we think we've significantly increased the
17 amount of water available through that well. That's
18 just another option, the Montegue property.

19 Q. But the fact that you're doing this is because you're
20 trying to help to satisfy one of the source
21 requirements that DES has imposed on the Company?

22 A. (Mason) Correct. We're trying to work towards the
23 future and make sure we have enough water to supply the
24 needs of our customers.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. And, Mr. Naylor, I mean I know that this is one of the
2 issues included in the Settlement Agreement, I don't
3 know if Staff has any particular perspective on what it
4 would expect from the Company to be included in the May
5 15th filing as it relates to this particular project?

6 A. (Naylor) Well, that's certainly at the Company's
7 option. If the property and/or the wells to be

8 installed there are in service or ready to be in
9 service, such that they would be included in a possible
10 step adjustment, that's the Company's option. I think
11 my concern about that is that these assets are not
12 owned by the utility. And, so, there are other issues
13 which arise as a result of that. A significant -- One
14 significant item there would be how these assets would
15 be treated for recovery. I guess, you know, if the
16 assets are not owned by the utility, there would have
17 to be some kind of agreement executed, it potentially
18 would be an affiliate agreement. So, that would be one
19 issue we would need to look at. And, how the water
20 would be costed, if you will, since it would be an
21 affiliate relationship.

22 So, there are some issues there, and I
23 think Staff expressed this initially at the outset of
24 this proceeding, there are some issues that need to be

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 looked at, beyond what you might normally just consider
2 rate base items and original cost and eligible to be
3 recovered. There are some other things here that would
4 have to be looked at. If the Company makes, you know,
5 makes a filing that has a specific proposal for
6 recovery, then we would review that as we would any
7 other item. But there's an affiliate relationship here
8 that requires us to look at it more carefully.

9 Q. And, do you see that as a separate docket, that May

10 15th filing, or is that an extension of this docket?

11 A. (Naylor) That's to be filed within the next week, and

12 I'm quite sure that's the same docket we're talking

13 about on Page 2 of the agreement, financing and step

14 adjustment filing.

15 Q. So, that's a separate docket then?

16 A. (Naylor) Separate docket from the docket we're involved

17 with today, yes.

18 Q. Yes.

19 A. (Naylor) Yes.

20 A. (St. Cyr) Can I just clarify?

21 Q. Sure.

22 A. (St. Cyr) When you say "a separate docket", I had

23 envisioned the construction budget and the source of

24 use funds being filed separately, and not necessarily

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 part of the petition and step increase filing, and not

2 necessarily a separate docket, but simply a filing of

3 that information as part of this particular docket.

4 Q. I mean, Staff might want to ask you more about that. I

5 just was trying to clarify what the understanding is.

6 I only have a couple more questions. But this subject,

7 this source issue that relates to Paradise Shores and

8 to Suissevale, if I understand correctly, is likely to

9 be part of the quarterly meetings that were mentioned

10 earlier in the Settlement Agreement, I think it's at

11 the bottom of Page 3. Those quarterly meetings with
12 Staff, the OCA, and DES. Is that fair to say?
13 A. (Naylor) Yes.
14 Q. And, if I understand correctly, you've indicated that,
15 to the extent there are issues that related to
16 Suissevale or POASI, as the acronym is used in the
17 Settlement Agreement, that POASI would be invited to
18 attend those meetings. And, so, presumably somebody,
19 and I guess it would be Staff, would be providing
20 notice to Suissevale about those meetings, is that
21 correct?
22 A. (Naylor) Yes, that's correct. We, just further on in
23 that paragraph, it's indicated that "Staff would be
24 responsible for preparing the agenda and coordinating a

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 suitable meeting time and place." So, certainly, we
2 will do that.
3 Q. And, then, finally, just so we're clear on the record
4 about, Mr. Mason, when you're going to submit the
5 response to the record request now is what we call it,
6 which is the more detailed --
7 A. (Mason) Uh-huh.
8 Q. -- construction schedule as it relates to the water
9 tank, I think you said you could have it by tomorrow,
10 but I don't want to box you in. I know you're busy,
11 and in terms of time frames, I just think it's
12 important, whatever the time is, that you meet it.

13 And, so, I just want to be clear about -- and I don't
14 know if you want to confer with your attorney or

15 anybody else on that, but I just think we ought to be
16 clear on the record on when we're going to get that, so
17 I can tell my client when it's going to be submitted,
18 and hopefully that date will be met.

19 A. (Mason) How about like Thursday next week?

20 MR. MULLEN: May 15th.

21 WITNESS MASON: Yes, May 15th. Okay.

22 BY MR. PATCH:

23 Q. May 15th, if that's what you feel you need?

24 A. (Mason) No, that's fine. That's fine.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. And, it's going to be detailed along the lines of the
2 questions that I've asked you this morning?

3 A. (Mason) Correct.

4 Q. That's important to my client. And, I just wanted to
5 be crystal clear about what you're doing and when
6 you're going to do it by?

7 A. (Mason) Not a problem.

8 Q. So, May 15th?

9 A. (Mason) May 15th.

10 Q. And, since it's a record request, my understanding it's
11 going to be submitted to the Commission, as well as to
12 us?

13 A. (Witness Mason nodding affirmatively).

14 MR. PATCH: Okay. I have no further
15 questions. I appreciate your answers, and I appreciate
16 your attempts to include Suissevale in the Settlement
17 Agreement.

18 CHAIRMAN GETZ: Ms. Hatfield.

19 MS. HATFIELD: Thank you, Mr. Chairman.
20 Mr. Traum would like to begin the OCA's questioning with a
21 few financial questions.

22 MR. TRAUM: Thank you. I believe my
23 questions would be directed at Mr. St. Cyr. But, to the
24 extent Mr. Mason or Mr. Naylor want to add or disagree

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 with anything Mr. St. Cyr says, to please do.

2 BY MR. TRAUM:

3 Q. I want to get a better understanding of the particular
4 filings for the -- from the financial point of view and
5 then from the step adjustments and potentially with
6 regards to a rate case. I guess, to start with, the
7 financial filing to be made May 15th, I believe, Mr.
8 St. Cyr, you indicated that would include the source
9 and use of funds statement.

10 A. (St. Cyr) That was not my understanding. I'm sorry, it
11 would include a source and use statement for those
12 projects that the Company is requesting financing for.
13 It would not include a source and use statement for the
14 budget items 2008 through 2010.

15 Q. And, in terms of the financing approval that you would
16 potentially be seeking from the Commission, it would be
17 for authority to borrow x number of dollars from a
18 lending institution, as well as to make a capital
19 contribution?

20 A. (St. Cyr) It will be primarily for borrowing from the
21 Masons, the owners of the Company.

22 Q. And borrowing, as opposed to capital contribution?

23 A. (St. Cyr) It will be a component of it that will be a
24 capital contribution.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. And, would you anticipate there would be any date upon
2 which they would be seeking Commission approval to do
3 such?

4 A. (St. Cyr) That will be part of this particular filing.

5 Q. So, you don't know at this point?

6 A. (St. Cyr) Well, we have committed to filing it May
7 15th, 2008.

8 Q. Okay. Now, the filing for step adjustment or up to
9 three step adjustments, is that -- do you envision that
10 as being part of the same docket or is that going to be
11 separate dockets for the step adjustments?

12 A. (St. Cyr) I envision it being part of the same docket.
13 The petition will be a request for a financing and an
14 approval of the related step increases.

15 Q. Now, is there any --

16 CHAIRMAN GETZ: Excuse me just a second,

17 Mr. Traum. Excuse me?

18 MR. ROBERGE: Yes. No, if he can just
19 pull his mike a little closer here.

20 WITNESS ST. CYR: I'm sorry.

21 MR. TRAUM: Thank you. I should have
22 asked that.

23 BY MR. TRAUM:

24 Q. With regards to these step adjustments, normally, let's
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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 say, I would expect the step adjustments to be
2 something coming out of a prior Commission order that
3 was in a rate case that had looked at all issues. Now,
4 when I look back at the last rate case for this
5 company, I think there was an allowance in that one and
6 a prior one for a step adjustment related to meters,
7 but that was the only discussion in the step adjustment
8 related to meters. Am I correct?

9 A. (St. Cyr) Yes.

10 Q. And, are meters going to be part of these, this series
11 of potential step adjustments?

12 A. (St. Cyr) No.

13 Q. In terms of what's to be looked at in the step
14 adjustment, I believe you've said "okay, it will be for
15 capital expenditures." Will they only be for
16 nonrevenue producing asset additions?

17 A. (St. Cyr) Would you please explain "nonrevenue asset

18 additions" for me?

19 Q. Are they put in there to enable the Company to serve
20 additional load or additional customers, which would
21 produce additional revenue? If you know?

22 A. (St. Cyr) There may be some additional customers, but
23 that's not the primary purpose of these particular
24 additions. The additions are to make improvements to

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 the system to serve primarily the existing customers.

2 Q. Will that issue of potential additional revenue be used
3 as an offset in making the step adjustment request?

4 A. (St. Cyr) No.

5 Q. Will these asset additions replace any existing plant?

6 A. (St. Cyr) Yes.

7 Q. Okay. Will the retirements be reflected as a net?

8 A. (St. Cyr) Yes.

9 Q. Mr. Patch had raised the issue of how POASI, I guess,
10 fits into this. Now, are POASI customers, in effect,
11 wholesale customers?

12 A. (St. Cyr) Yes.

13 Q. Okay. Would wholesale customers be impacted by this
14 step adjustment request, if granted?

15 A. (St. Cyr) Yes.

16 Q. They would be facing a rate increase?

17 A. (St. Cyr) Yes.

18 Q. Okay. And, it would be an equivalent percentage
19 increase for all customers?

20 A. (St. Cyr) The difference with respect to POASI is that
21 they have made a capital contribution for the water
22 storage tank, and their water supply agreement treats
23 them differently as a result of those contributions.
24 Q. But they would still be potentially seeing an increase
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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 as part of this?
2 A. (St. Cyr) Yes.
3 Q. And, do you have any idea roughly what the cost of the
4 water tank project is for Paradise Shores?
5 A. (St. Cyr) 750,000.
6 Q. And, that will be serving more than just the POASI
7 customers?
8 A. (St. Cyr) Yes.
9 Q. The Settlement also states that I think by the end of
10 May, you'll be filing some rate of return calculations?
11 A. (St. Cyr) Yes.
12 Q. And, that will be the basis for the Company's
13 determination whether or not to file a rate increase?
14 A. (St. Cyr) That's correct.
15 Q. I'm wondering why it's not until the end of May that
16 you would have that kind of information? When did you
17 file your annual report with the Commission?
18 A. (St. Cyr) The annual report has not yet been filed.
19 Q. Okay. Have you gotten an extension from the
20 Commission?

21 A. (St. Cyr) I'm not sure whether the Company has or has
22 not.

23 Q. Mr. Mason, do you know?

24 A. (Mason) I believe so, yes.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. I saw you shaking your head, so I assumed you --

2 A. (Mason) Yes. Yes, we filed for one and received an
3 extension. Norman probably --

4 MR. ROBERGE: May 15th.

5 WITNESS MASON: Excuse me?

6 MR. ROBERGE: Till May 15th.

7 MR. TRAUM: Okay.

8 WITNESS MASON: And, I assume it will be
9 on time?

10 MR. ROBERGE: Yes, sir. Right.

11 BY MR. TRAUM:

12 Q. I'm wondering why you think you need potentially three
13 step adjustments? Why wouldn't, at this point in time,
14 a rate case, if necessary, cover it all?

15 A. (St. Cyr) We looked at that. We were not inclined to
16 pursue a rate case, if we could identify some specific
17 projects that could provide us with the same rate
18 recovery, without going through the process of a rate
19 case filing.

20 Q. As part of your step adjustment filings, will you be
21 showing what the Company's rate of return is on a

22 proforma basis if the increases were granted?

23 A. (St. Cyr) No.

24 Q. Why shouldn't I consider those then as single issue

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 ratemaking?

2 A. (St. Cyr) You'd have to define "single issue

3 ratemaking" for me.

4 Q. Well, it sounds like you're not looking at the revenue

5 side of it, you're not looking at what the total return

6 is that the Company is earning.

7 A. (St. Cyr) The Company knows that its rate base does not

8 reflect significant additions to plant. And, it knows

9 its cash position is such that it needs an adjustment

10 in rates in order to recover those specific projects.

11 And, it was from that perspective that the Company

12 decided to pursue the step adjustments, rather than a

13 full-blown rate case.

14 Q. But you're not planning to proform the Company's rate

15 of return in those filings?

16 A. (St. Cyr) Well, the proformed rate of return isn't

17 required as part of a financing or step increase, per

18 se. We do plan to proform the affects of the financing

19 on financial statements, namely the balance sheet and

20 the income statement. But the proforma effects of a

21 rate of return calculation isn't specifically required.

22 And, as a result, we were not planning on providing

23 that.

24 MR. TRAUM: Okay. I'll turn the mike
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1 back over. Thank you.

2 MS. HATFIELD: Thank you. Good morning.

3 BY MS. HATFIELD:

4 Q. Mr. Mason, I wanted to turn your attention to the
5 Settlement, Exhibit 1. And, on Page 2, the Tamworth
6 Well issue is identified.

7 A. (Mason) Okay. Yes.

8 Q. And, I believe in Staff's memo to the Commission last
9 September requesting this docket be opened, that Staff
10 referred to a September 11th, 2007 Letter of Deficiency
11 that DES had sent to the Company, is that correct?

12 A. (Mason) Yes.

13 Q. What is the status of that Letter of Deficiency? And,
14 really my question is, has the Company taken all the
15 steps required in that Letter of Deficiency?

16 A. (Mason) Yes, we have. Everything was corrected almost
17 immediately within a couple of days of that letter.

18 Q. And, as identified in the Settlement Agreement, there
19 is now an ongoing Attorney General's investigation?

20 A. (Mason) As far as I know. I mean, we haven't heard
21 anything more since the beginning of it, which I don't
22 even know the month, but it was sometime in the fall,
23 we haven't heard anything from anybody.

24 Q. And, Mr. Naylor, if I could ask you a question about

[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 that paragraph dealing with the Tamworth Well issue.
2 Starting with the second sentence, there's a
3 description of Lakes Region's agreement "to provide
4 details of the outcome of the AG's investigation" and
5 "to respond fully to discovery requests regarding the
6 investigation". And, at the end of that sentence
7 there's a clause that says "consistent with the terms
8 of any resolution of the outcome of that
9 investigation". And, as a party, the OCA being a party
10 who might want to ask discovery questions about that
11 issue, I'm wondering why that limitation is there, if
12 you know, and how -- if you think that that might limit
13 these parties' ability to gain information about the
14 investigation on the issues that caused the
15 investigation to take place?
16 A. (Naylor) I'm not concerned about it. The sentence
17 following I think modifies the previous sentence
18 appropriately. It indicates that "the Commission shall
19 retain its authority pursuant to RSA 374:4 to access
20 any information Lakes Region provides to the Attorney
21 General's Office."
22 Q. And, then, the final sentence in that paragraph also
23 makes clear that all the parties are reserving there
24 rights to make further recommendations to the

[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Commission, is that correct?

2 A. (Naylor) That's correct.

3 Q. Thank you. Moving onto the next page, Page 3, which
4 discusses "Managerial Capability", Mr. Mason, this
5 describes your new position with the Company. What was
6 your previous role?

7 A. (Mason) I really didn't have one for quite awhile. I
8 have my own company called "LRW Water Services". And,
9 we do construction, pipeline work, pump stations,
10 things like that. In the last couple of years, I've
11 helped my parents, because they're fairly old, and
12 taken over more and more responsibilities of the
13 Company. But I wasn't actually an employee of the
14 Company at the time. And, the last several months ago
15 now, I became Vice President and the active manager of
16 the Company.

17 Q. And, if you're the Vice President, who's the president
18 of the Company?

19 A. (Mason) It's still my dad, Thomas Senior.

20 Q. And, previously, I think you testified that he's mostly
21 retired?

22 A. (Mason) Yes.

23 Q. But he's still functioning as the Company president?

24 A. (Mason) Right.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. Then, at the end of the first paragraph under Section C
2 states that "Lakes Region agrees to submit a new
3 contract with your company under RSA 366". Do you know
4 when that new contract will be executed?
5 A. (Mason) By July 15th.
6 Q. And, then, because you've noted RSA 366, the Company
7 must be aware that there's a 10-day requirement between
8 execution and filing with the Commission?
9 A. (Mason) Yes.
10 Q. The next paragraph discusses the bi-weekly management
11 meetings, which Staff has already discussed with you.
12 But the second sentence is a little confusing, so I'm
13 wondering if you could just help me make sure I
14 understand. It talks about this meeting bringing
15 together the Board of Directors, and the Board is
16 composed of Mr. and Mrs. Mason.
17 A. (Mason) That's my parents.
18 Q. Okay. But the way the sentence is written, I just
19 didn't know if the Board included all of the people
20 listed in that sentence? Or, I think what you're
21 trying to do is describe who the meeting brings
22 together, is that correct?
23 A. (Mason) Correct. Yes.
24 Q. And, I think you testified that those meetings haven't

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 been happening because of your parents' illnesses?
2 A. (Mason) Yes. Correct. We've had one or two, but

3 that's it.

4 Q. So, during their illness, you haven't been having
5 management meetings of yourself, Mr. Roberge, the
6 Company's outside accountant, and the Company's office
7 manager?

8 A. (Mason) Well, we've had meetings. I mean, we've had,
9 you know, we've had conference calls with them and
10 things like that, but we haven't gotten together
11 physically, except for I believe it was twice.

12 Q. And, then, in the last sentence of that paragraph you
13 agreed to provide reports of the results of these
14 meetings. When do you think that they will resume?

15 A. (Mason) They're both getting quite a bit better. I
16 would say as early as next week.

17 Q. I'd like to request that, if the Company isn't going to
18 resume those meetings within the next week or two, if
19 you would please notify the parties in the case?

20 A. (Mason) Yes, I will.

21 Q. How long after each meeting do you expect that you will
22 provide those reports?

23 A. (Mason) Probably that's more of a Norman question.

24 Q. Well, since he's not under oath, I would preserve that

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[WITNESS PANEL: Mason | St. Cyr | Naylor]

1 he not answer questions, --

2 WITNESS MASON: Okay.

3 MS. HATFIELD: -- unless he wants to be

4 sworn in, which would be fine.

5 CHAIRMAN GETZ: Well, we could accept an
6 offer of proof from counsel, if that's --

7 (Atty. Mullen conferring with Mr.
8 Roberge.)

9 CHAIRMAN GETZ: Okay. Let's get back on
10 the record.

11 BY THE WITNESS:

12 A. (Mason) Two or three days after the meeting.

13 BY MS. HATFIELD:

14 Q. Thank you. And, for how long are you expecting that
15 you'd be providing those types of reports to the
16 parties and Staff?

17 A. (Mason) However long I have to. I don't have a set
18 date or a set number.

19 Q. On Page 4, in discussing the agendas and the subject of
20 those meetings, you talk about action plans that could
21 be developed or modified. Are those specific action
22 plans for specific systems owned by Lakes Region or
23 were you thinking of a broader type of document that
24 covers all activity?

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 A. (Mason) I hadn't really thought about it, whether it
2 was going to be overall or by system. It should
3 probably be by systems, because every one is kind of
4 individual, and, although they're all under the same
5 consolidated deal, they're definitely individual water

6 systems.

7 Q. So, it's possible there could be one overall action
8 plan, and then the subplans dealing with each system?

9 A. (Mason) Correct.

10 Q. Then, in the next paragraph you talk about the
11 discussions that have been previously covered with
12 Mr. Roberge. And, I think you said you're currently in
13 discussions with him?

14 A. (Mason) Yes.

15 Q. And a question for Mr. Naylor. Is it your expectation
16 that the Company would report to Staff the final
17 outcome of those discussions regarding Mr. Roberge's
18 role?

19 A. (Naylor) No, I hadn't, I guess Staff hadn't considered
20 whether they would actually make a report. I think
21 it's clear what the expectations are. I think it's
22 clear what the Company is planning to do. And, we'll
23 know soon enough, as time goes by, assuming the
24 Commission approves this agreement, that we will be in

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 a monitoring phase for a number of months. We'll know
2 soon enough if these functions are being adequately
3 addressed.

4 Q. So, perhaps that could be a topic for discussion at a
5 quarterly meeting?

6 A. (Naylor) Certainly.

7 Q. With respect to consumer communications, Attorney
8 Thunberg talked to you about the One Call Now service.
9 And, I don't remember if you discussed when you expect
10 that that service will be up and running?
11 A. (Mason) I didn't. I haven't really -- the girls in the
12 office, our office manager has been working on it, and
13 I don't know how far along she is with getting together
14 all the information she needs to get to the One Call
15 people. But I could definitely get back to somebody
16 with that.
17 Q. Okay. Perhaps that's another topic we could discuss at
18 the quarterly meetings. I want to just touch briefly,
19 I know we -- with respect to the list of the different
20 systems and the work to be done, on the top of Page 5
21 you discuss Hidden Valley, and Attorney Thunberg walked
22 you through a couple of questions on the attachment
23 that begins on Page 11. I just have a couple of
24 questions there. That attachment is dated March 21st,
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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 2008, and I believe the parties only received that on
2 Tuesday of this week, on May 6th, is that correct?
3 A. (Mason) I don't know.
4 Q. Mr. Naylor, do you know the answer to that?
5 A. (Naylor) Would you repeat that question please.
6 Q. Sure. On Page 11, the attachment from Lewis
7 Engineering, dated March 21st, 2008, I believe was
8 received by the parties and Staff on May 6th. Is that

9 your recollection?

10 A. (Naylor) Yes.

11 Q. And, has Staff had a chance to review this and discuss

12 with DES whether this meets the requirements of the

13 Letter of Deficiency related to Hidden Valley?

14 A. (Naylor) No.

15 Q. Is that something that you expect to do at some point

16 after this hearing?

17 A. (Naylor) Certainly.

18 Q. On the last bullet, at the top of Page 6, there's a

19 reference to "Hidden Valley Shores". And, it states

20 that "an existing well has been deepened and the

21 hydrosource has filed reports with DES." Is that

22 supposed to refer to "Hydrosource Associates" who works

23 for your company?

24 A. (Mason) Yes. Yes.

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[WITNESS PANEL: Mason|St. Cyr|Naylor]

1 Q. In Section E, in subparagraph i, regarding "capital

2 expenditures", there's a reference to "Paradise Shores

3 being developed and financed personally by the

4 Company's stockholders". Who are the Company's

5 stockholders?

6 A. (Mason) My parents, Tom and Barbara Mason.

7 Q. In paragraph ii on that page, there's a -- the second

8 paragraph states "Lakes Region also provides assurance

9 that its stockholders have the financial resources to

10 complete the water storage tank at Paradise Shores."

11 What is the basis for that statement?

12 A. (Mason) That might be a Steve question. I guess I'm
13 going to have to refer that to Dan, our attorney.

14 Q. Well, may I can ask a follow-up that --

15 MR. MULLEN: I can make an offer of
16 proof, your Honor. I mean, I think that their dilemma is
17 they've seen the personal financial statements, and they
18 feel comfortable that they have. They don't want to go
19 into detail, because they are private financial
20 statements.

21 CHAIRMAN GETZ: Ms. Hatfield.

22 MS. HATFIELD: Thank you.

23 BY MS. HATFIELD:

24 Q. Perhaps in the filing that the Company is making that
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1 seeks, I believe Mr. St. Cyr indicated, that part of
2 that filing would be seeking approval for borrowing
3 from the Masons, and perhaps in that filing the Company
4 would be able to provide the basis for that assurance,
5 Mr. St. Cyr?

6 A. (St. Cyr) Again, I guess I would refer to our attorney.
7 I can't really answer that myself.

8 CHAIRMAN GETZ: Well, is it an issue of
9 confidentiality?

10 MR. MULLEN: Yes.

11 CHAIRMAN GETZ: It certainly could be

12 provided along with a motion for confidential treatment.

13 MR. MULLEN: I think we'd address it if
14 -- we'd have to discuss it at this point, Chairman Getz.

15 MS. HATFIELD: Well, I think, Mr.
16 Chairman, I think, in lieu of making a record request in
17 this proceeding, although I do think this is an issue
18 related to this proceeding, I think what the OCA would do
19 is seek that information when the Company makes its
20 financing filing.

21 CHAIRMAN GETZ: Thank you.

22 BY MS. HATFIELD:

23 Q. On the top of Page 7 there's a reference to the
24 Company's -- Lakes Region's financial institution.

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1 And, Mr. St. Cyr, can you tell us who that financial
2 institution is?

3 A. (St. Cyr) TD BankNorth.

4 CHAIRMAN GETZ: I'm sorry, I couldn't
5 hear that?

6 WITNESS ST. CYR: TD BankNorth.

7 BY MS. HATFIELD:

8 Q. And, near the bottom of Page 7, in that last full
9 paragraph, it states "By signing this agreement, both
10 Lakes Region and POASI agree that they are not in any
11 way modifying the terms of any existing agreements
12 between these two parties." And, I understand that

13 POASI has not actually signed the agreement. But can
14 you describe what those existing agreements are between
15 Lakes Region and POASI?

16 A. (Mason) There's two separate agreements. One is the
17 capital improvement for the tank project, which they're
18 paying up front for, and the other one is a water
19 supply agreement, which is what they're paying the
20 actual water supply to them. And, those are the only
21 two contracts that we have.

22 Q. Thank you. And, Mr. Naylor, I believe that you
23 testified previously that it's not your belief that
24 this settlement resolves all of the issues raised by

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1 Staff in its memo to the Commission requesting that
2 this docket be opened. But is it your feeling that,
3 despite the remaining issues, and perhaps because this

4 is a monitoring docket, that at this time the Company
5 can safely and adequately provide water service to its
6 customers and does have the financial and managerial
7 capacity to do so?

8 A. (Naylor) Well, I think the Company has taken a number
9 of steps which give me more assurance that they have
10 the ability to provide safe and adequate service. I
11 think it's on the record in this proceeding that Staff
12 had some significant concerns, and we expressed those
13 both in our letter from last September, as well as our

14 statement at the prehearing conference in this
15 proceeding. We felt that the status quo was not
16 working. And, I think the Company has taken some
17 significant steps forward. And, I think this agreement
18 also helps the Company move forward. I think, as we've
19 indicated, there's still some issues that need to be
20 resolved. But I think, at this time, I think the
21 Company is capable of providing safe and adequate
22 service. And, we certainly hope that that will
23 continue.

24 MS. HATFIELD: Thank you. That
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1 completes our questions.

2 CHAIRMAN GETZ: Mr. Patch.

3 MR. PATCH: Mr. Chairman, there was one
4 question that I had hoped to ask on direct, and I should
5 have, and I neglected to do so. I would ask for leave to
6 be able to do that. And, then, in response to a question
7 asked by the OCA, there was another issue raised, and I
8 feel like I should ask one or two questions about it, so I
9 would ask for leave to be able to do that at some point.

10 CHAIRMAN GETZ: Okay. Well, it's not
11 clear to me at this point what's direct and what's cross,
12 since you aren't a signatory, and it does not appear that
13 you plan to be a signatory to this Settlement Agreement,
14 is that correct?

15 MR. PATCH: Not until we see the

16 detailed construction. You know, I guess we could be
17 after the 15th, potentially, but --

18 CHAIRMAN GETZ: Okay. Putting that all
19 aside, ask your questions.

20 MR. PATCH: Okay. Thank you. We are an
21 intervenor.

22 BY MR. PATCH:

23 Q. Mr. Mason, I believe in your -- you were asked a
24 question by Ms. Thunberg that related to the water

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1 storage tank and pressure reducer valves at Suissevale.

2 A. (Mason) Yes.

3 Q. And, if I understood you correctly, you said it doesn't
4 look like that will be an issue?

5 A. (Mason) Yes, it doesn't look like that will be an
6 issue.

7 Q. I mean, you're familiar with the Suissevale system. I
8 believe your company, LRW Water Services, actually
9 provide service to Suissevale?

10 A. (Mason) Yes, we do.

11 Q. And, so, you're familiar with the Suissevale system.
12 But it's your belief that the installation and the
13 operation of the water storage tank is not going to
14 lead to any need for any pressure reducer valves in the
15 Suissevale system?

16 A. (Mason) No, it's not. I mean, the pressure will be

17 considerably higher than it is now, but it will still
18 be within the State specs. What we'll probably do is
19 get some sort of a letter together for the POASI people
20 and just warn them basically that their pressure is
21 going to be increased from where it is now, just so
22 they can keep an eye on it and make sure there's, you
23 know, not any issues in the house with the raised water
24 pressure. But we plan on staying within the State

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1 guidelines for the pressure.

2 Q. In response to a question from Mr. Traum, I believe,
3 Mr. St. Cyr, you had indicated that Suissevale would be
4 seeing an equivalent increase in its rates as a result
5 of your request to the Commission for certain step
6 increases. And, I just wanted it to be clear in the
7 record, I'm not sure that you're familiar with the
8 water supply agreement that was approved by this
9 Commission as a special contract. Have you read that
10 agreement? Are you familiar with it?

11 A. (St. Cyr) I have read it. And, I didn't state an
12 "equivalent rate increase". I agreed that there would
13 be a rate increase to POASI customers as a result of a
14 financing and step increases.

15 Q. In fact, for the record, Order Number 24,693, issued on
16 October 31 of 2006, was an order nisi approving that
17 special contract. And, that order, at Page 3, makes
18 reference to "a rate adjustment mechanism based on

19 Lakes Region's annual report to the Commission". Are
20 you familiar with that particular provision in the
21 water supply agreement?

22 A. (St. Cyr) Generally, yes.

23 Q. I mean, and that's, actually, in that agreement,
24 there's an 8.2 adjustments in rates that provides a

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1 mechanism for the rates in that, in that, that are the
2 subject of that agreement to be adjusted. And, so, is

3 it your understanding that any change in rates that
4 Suissevale would pay Lakes Region would be governed by
5 the provisions of that agreement?

6 A. (St. Cyr) That's correct.

7 MR. PATCH: Thank you. No further
8 questions.

9 BY CHAIRMAN GETZ:

10 Q. I just had a couple of questions, first for Mr. Mason.
11 On Page 5 of the Settlement Agreement, in that
12 reference to Brake Hill and Gunstock Glen.

13 A. (Mason) Yes.

14 Q. And, you said the Company is waiting for DES approval,
15 and it's been pending for some eight months. But
16 what's the nature of that approval that you're waiting
17 for?

18 A. (Mason) It's just an interconnection approval. What we
19 did is we went in and, basically, the two water systems

20 are side-by-side, and DES is really trying to get
21 systems like that combined together to become one
22 system. We started the process of that a couple years
23 ago with a bunch of engineering and things over a year
24 or so. And, we got the final information into them

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1 about eight months ago, and we haven't had anything
2 back from them since then, as far as an approval from
3 them.

4 Q. And, the other question I had goes to some questions
5 Mr. Patch asked you about the \$200,000 capital
6 contribution.

7 A. (Mason) Yes.

8 Q. It wasn't clear to me whether there was -- is there
9 some dispute about whether the money will be returned
10 because of the missed deadline?

11 A. (Mason) No, I mean, I don't believe so. We have been
12 working with Suissevale and Doug on things, and keeping
13 their management, probably not as much as we should on
14 paper, but we've been talking to their management,
15 their direct -- their manager on a regular basis
16 explaining the things that have gone on. This project
17 actually started three years ago. Went through an
18 issue with the original tank, which had to be torn down
19 because of a problem with the construction of it. And,
20 the court case that went along with it. That took a

23 petition they were able to -- or, just not able to
24 attend the hearing today, but I think that might be
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1 helpful to know?
2 A. (Naylor) Staff has been in touch with the
3 representative of the Hidden Valley Property Owners
4 Association. They did receive drafts of the agreement.
5 I believe our last contact was earlier this week,
6 Ms. Thunberg had made contact with Mr. Newman. They
7 were particularly concerned about the level of detail
8 that would be provided with respect to the Hidden
9 Valley system. And, I think it's fair to say that the
10 Lewis Engineering letter, which is an attachment here,
11 was a direct result of their desire to see this detail.
12 But I think, after that, Mr. Newman didn't respond to
13 any further contact the last couple of days, we were
14 certainly trying to get this finalized and filed. So,
15 that's where we are with Hidden Valley.

16 CHAIRMAN GETZ: Ms. Thunberg, do you
17 have anything additional?

18 MS. THUNBERG: Yes, I'll elaborate, and
19 say this is in the form of an offer of proof, I suppose.
20 In the assembling of the final document that we presented
21 today, all parties were spoken to, advised that we were
22 trying to get this filed, advised that this was not going
23 to be the end-all of the proceeding. That, if they

24 choose, in particular, to the Hidden Valley Property

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1 Owners Association representative, I spoke with him and
2 told him "this docket is going to continue, even though
3 we're presenting a settlement agreement, that there will
4 be continued opportunities for that group to participate
5 in monitoring Lakes Region." So, just to clarify, no
6 parties were left off of the distribution or opportunity
7 to participate in today's Settlement Agreement. Thank
8 you.

9 CHAIRMAN GETZ: Are there any other
10 questions for the panel? Well, I guess I have one final
11 question, perhaps for Mr. Naylor.

12 BY CHAIRMAN GETZ:

13 Q. This proceeding, at least as kind of characterized in
14 the order of notice, spoke to the issue of essentially
15 "should the Company be placed in receivership?" And, I
16 take it that the Settlement Agreement, similar to

17 questions or in an answer you gave to Ms. Hatfield, but
18 your conclusion is that, based on the Settlement
19 Agreement, you don't find the necessity to place the
20 Company in receivership, is that accurate?

21 A. (Naylor) That's correct.

22 CHAIRMAN GETZ: All right. Then, if
23 there's nothing else for the panel, you're excused. Thank
24 you, gentlemen. I take it there's no further witnesses?

1 MS. THUNBERG: That is correct. This
2 was our only panel.

3 CHAIRMAN GETZ: Okay. Then, is there
4 any objection to striking the identifications and
5 admitting the exhibits into evidence?

6 MR. MULLEN: No objection.

7 MS. THUNBERG: No.

8 CHAIRMAN GETZ: Then, they will be
9 admitted into evidence. Is there anything further, I
10 guess except for opportunity for closing statements?

11 (No verbal response)

12 CHAIRMAN GETZ: Let's begin with closing
13 statements then, I would turn to the Consumer Advocate
14 first. Ms. Hatfield.

15 MS. HATFIELD: Thank you, Mr. Chairman.
16 The purpose of this docket was to investigate whether
17 Lakes Region is providing safe and adequate water service
18 to its customers arising from serious violations of water
19 quality rules that resulted in Letters of Deficiency from
20 the Department of Environmental Services, and one which
21 resulted in an investigation by the AG's Office, as well
22 as many consumer complaints. The OCA agrees with Staff
23 that the issues raised have not necessarily been fully
24 resolved, and we support the proposal in the Settlement

1 Agreement to keep the docket open pending the resolution
2 of these issues. And, as I believe the Settlement does,
3 we reserve our rights to revisit some of these violations
4 in the future once we have more information. We thank
5 Staff for the work that they did in opening this docket.
6 And, we will continue to work with them as it continues
7 into its monitoring phase, due to the serious issues that
8 remain outstanding.

9 We would also request that the
10 Commission require the Company to provide any new Letters
11 of Deficiency that the Company receives that pertain to
12 any of its systems. And, we also would request the
13 Commission require the Company to provide all
14 correspondence and documents related to their completion
15 of actions required by their two existing Letters of
16 Deficiency, and also with respect to the undergoing
17 investigation at the AG's Office.

18 In terms of why the OCA didn't sign onto
19 the Settlement Agreement, it was largely a timing issue,
20 due to the press of other work, and the fact that we
21 didn't receive a response from the Company until early
22 last week, and then travel commitments on behalf of the
23 OCA Staff, we simply didn't have the time to address all
24 of the issues that we wanted addressed in the Settlement

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1 Agreement, especially with respect to financing issues and
2 also the specific details of the types of information the
3 Company would be providing during the monitoring phase of
4 the docket.

5 But, generally, we want to thank Staff
6 and the other parties for all of the work that they did on
7 the Settlement. And, we do think that continuing this in
8 a monitoring phase is an excellent way to resolve the
9 issues in this docket. Thank you.

10 CHAIRMAN GETZ: Do you have any
11 particular concern about the step increases versus the --
12 looks like there will be, I'm trying to follow this
13 myself, so then it may need to be addressed. There will
14 be a filing, a proposed "filing for a financing approval
15 and rates" is what it says in the agreement. And, I guess
16 "rates" could be inclusive of the step increases and/or
17 the rate increase, what I'm taking to be a separate rate
18 case. But do you have any particular concern with that
19 language, and I guess subparagraphs iii and iv on Page 7?

20 MS. HATFIELD: We certainly do, Mr.
21 Chairman. And, our view is that, you know, because the
22 OCA isn't a party to this, we aren't necessarily agreeing
23 with anything that the Company would be proposing in the
24 future. But I also think that the other parties probably

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1 aren't intending to waive their rights as to their view of
2 those filings. And, because, it's my understanding from

3 some of the answers to questions today, that that would be
4 filed in a separate docket, we feel as though we will
5 participate in that docket and, you know, fully
6 investigate what it is the Company is proposing. And, we
7 didn't feel that this Settlement necessarily was
8 indicating anyone's support for what's contained in those
9 filings, but more just an understanding of how the Company
10 intends to try to address some of those financial issues.

11 CHAIRMAN GETZ: Thank you. Mr. Patch.

12 MR. PATCH: I have nothing. Thank you,
13 Mr. Chairman.

14 CHAIRMAN GETZ: Well, before I turn to
15 -- I'll give the opportunity for Mr. Mullen and
16 Ms. Thunberg to respond, do either of you have any formal
17 contact or letters from the A&G about the status of the
18 investigation?

19 MR. MULLEN: No.

20 MR. MASON: No.

21 CHAIRMAN GETZ: Ms. Thunberg, has Staff
22 heard anything from the AG on this?

23 MS. THUNBERG: No.

24 MS. HATFIELD: Mr. Chairman, we did

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1 inquire of the AG's Office, and we were told that it was
2 ongoing, but we were just generally inquiring, and we
3 didn't make any specific recommendations because -- or

4 requests, because we wanted to do that in concert with
5 Staff. But that's our understanding.

6 CHAIRMAN GETZ: Okay. Which I assume is
7 a standard response to the A&G, in terms of "is there an
8 investigation?" Okay. Let's turn to Mr. Mullen, do you
9 have a closing?

10 MR. MULLEN: Thank you, Chairman Getz.
11 As you've heard from testimony today, I think that the
12 parties involved either strongly support or generally
13 support the entering into the Settlement Agreement. As
14 you've heard, the Staff and the Company for sure
15 participated fully in this, as did OCA and as did POASI.
16 Up until yesterday, we had incorporated into the
17 Settlement Agreement all of the comments that were
18 requested and changes that were requested by both the OCA
19 and by POASI. And, not until yesterday morning did we
20 receive a request for what I'll refer to as "a more
21 detailed construction schedule". We stated that the -- we
22 believe that that could have been done, discussed off
23 line, and therefore we did not want to include it in the
24 Settlement Agreement. But, as you've heard today, Mr.

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1 Mason is willing to provide a written detailed
2 construction schedule. In any event, it's unfortunate
3 that both the OCA and POASI couldn't sign on to this,
4 because they did fully participate in the discussions
5 along this.

6 Generally speaking, though, the Staff
7 and the Company agree that this is a very positive step
8 forward. The Company has made certain commitments that
9 they will live up to. There have been managerial changes
10 at the Company with Mr. Mason now taking over the daily
11 operation of the Company. And, we ask that the Commission
12 approve the Settlement Agreement so that the Company can
13 move forward. Additionally, at this point in time, just
14 so the Commission knows, there will be a step adjustment
15 filing. We reserve the right to file for a rate increase,
16 and that's why it is in there. But right now the only
17 filing anticipated is for a step adjustment filing that
18 will be filed by May 15th.

19 CHAIRMAN GETZ: Okay. Mr. Patch.

20 MR. PATCH: Mr. Chairman, just so the
21 record is clear, the reason that we didn't respond on the
22 construction schedule until yesterday morning, we didn't
23 see it until then. And, --

24 CHAIRMAN GETZ: Well, I think you made
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1 that point earlier, didn't you?

2 MR. PATCH: Okay. I just wanted to make
3 sure that it was clear.

4 CHAIRMAN GETZ: It's clear.
5 Ms. Thunberg.

6 MS. THUNBERG: Staff's brief closing is

9 for financings, step approval, rate cases, again, Staff
10 just sees these as being additional dockets. The notice
11 that was included for this proceeding was quite broad, but
12 it is customary for the Commission to have a financing
13 take place in its own docket with its own notice. Rate
14 cases have its own notice, its own docket. And, although
15 Staff expects there will be an exchange of information
16 between those dockets and this instant docket, that it
17 doesn't preclude us from cleanly dealing with those
18 filings in separate dockets. So, again, thank you for
19 your consideration of our Settlement Agreement today.
20 Thank you.

21 CHAIRMAN GETZ: Thank you. Okay. Then,
22 hearing nothing further, we will close the hearing and
23 take the matter under advisement. Thank you, everyone.

24 (Hearing ended at 11:59 a.m.)

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