

Qualifications of Kenneth E. Traum

My name is Kenneth E. Traum. I am the Assistant Consumer Advocate for the Office of Consumer Advocate (OCA). My business address is 21 S. Fruit Street, Suite 18, Concord, New Hampshire 03301. I have been affiliated with the OCA for approximately nineteen (19) years.

I received a B.S. in Mathematics from the University of New Hampshire in June, 1971, and an MBA from the same University in June, 1973. Upon graduation, I first worked as an accountant/auditor for a private contractor and then for the New Hampshire State Council on Aging before going to the New Hampshire Public Utilities Commission (NHPUC) in February, 1976. At the NHPUC I started as an Accountant III, advanced to a PUC Examiner and later become Assistant Finance Director.

In my positions with the NHPUC, I was involved in all aspects of rate cases, assisted others in the preparation of testimony and presented direct testimony, conducted cross examination of witnesses, directed and participated in audits of utilities, and performed other duties as required. While employed at the NHPUC, I was a member of the NARUC Regulatory Studies Program at Michigan State.

In 1984, I left the NHPUC for Bay State Gas Company. With Bay State, I was involved in various aspects of financial analysis for Northern Utilities, Inc., Granite State Gas Transmission, Inc., and Bay State Gas Company, as well as regulatory activities with regard to Maine, New Hampshire, Massachusetts and the FERC.

In early 1986, I returned to New Hampshire to join the EnergyNorth companies, where my areas of responsibility included cash management, regulatory affairs, forecasting and other financial matters. While with EnergyNorth, I was a member of the New England Utility Rate Forum and the New England Gas Association. I also represented the utility, which is the largest natural gas utility in New Hampshire, over a two year period in the generic Commission docket (DE 86-208) which developed a methodology for conducting gas marginal cost studies.

In 1989 I joined the Office of Consumer Advocate with overall responsibility for advising the Consumer Advocate and its Advisory Board on all Financial, Accounting, Economic and Rate Design issues which arise in the course of utility ratemaking or cases concerning determinations of revenue responsibility, competition, mergers, acquisitions and supply/demand issues. I assist the Consumer Advocate and the OCA Advisory Board in formulating policy, and follow through to ensure that policy is implemented by the Office. In that role, I have testified before the NHPUC on many occasions. In early 2005, I was promoted to Assistant Consumer Advocate.

I am a member of the NASUCA (National Association of State Utility Consumer Advocates), Committees on Electricity and Gas. I am also Chairman of the Board of Directors for Granite State Independent Living as well as Co-Chair for their Finance Committee.

Qualifications of Stephen R. Eckberg

My name is Stephen R. Eckberg. I am employed as a Utility Analyst with the Office of Consumer Advocate (OCA), where I have worked since 2007. My business address is 21 S. Fruit Street, Suite 18, Concord, New Hampshire 03301.

I earned a B.S. in Meteorology from the State University of New York at Oswego in 1978, and an M.S. in Statistics from the University of Southern Maine in 1994.

After receiving my M.S. I was employed as an analyst in the Boston office of Hagler Bailly, Inc, a consulting firm working with regulated utilities to perform evaluations of energy efficiency and demand side management programs.

From 2000 - 2003 I was employed at the NH Governor's Office of Energy and Community Services (now the Office of Energy and Planning) as the Director of the Weatherization Assistance Program. Most recently, I was employed at Belknap-Merrimack Community Action as the Program Administrator of the NH Electric Assistance Program (EAP). In that capacity, I presented testimony before this Commission in dockets related to the design, implementation and management of the EAP. I have also testified before Committees of the New Hampshire Legislature on issues related to energy efficiency and low income electric assistance.

I am a member of the American Statistical Association. I have attended regulatory training at New Mexico State University's Center for Public Utilities and I participate in committees of the National Association of Consumer Advocates (NASUCA) on behalf of the OCA.

DW 08-070
LAKES REGION WATER COMPANY, INC.
STAFF DATA REQUESTS – SET 2

Staff 2-1

Re: Response to Staff Data Request 1-1: If the Company has previously borrowed \$220,000 towards the Paradise Shores Tank project, it appears that the remaining portion of the 6 projects in the instant docket to be financed should be \$724,430, as follows:

Total Cost of 6 Projects	\$1,244,430
Less: Contribution from POASI	(300,000)
Less: Amount Previously Borrowed	<u>(220,000)</u>
Remainder to be Financed	<u>\$ 724,430</u>

The above amount appears to be in contrast to the remaining amount to be financed that is indicated at the top of page 11 of Mr. St. Cyr's pre-filed testimony of \$779,930 (\$150,000 equity financing and \$629,930 debt financing); a difference of \$55,500. In light of this, should the additional debt financing being sought by the Company be reduced to \$574,430 or should the anticipated additional equity financing be reduced to \$94,500 or other? Please explain.

Response: The Company's owners have recently decided to contribute the entire amount as additional paid in capital rather than loan the funds as a shareholder loan. The Company's owners decided to contribute the \$724,430 because (1) the Commission and its Staff have encouraged equity contributions from the owners, (2) the Company's cash flow will improve, (3) the rate of return will be higher, (4) the revenue will be higher and the expenses will be lower.

DW 08-070
Lakes Region Water Financing

Responses to OCA Follow-Up Data Requests (Set 3)
Propounded August 26, 2008

1. The OCA understands the Company's response to Staff 2-1, provided on August 22, 2008, to mean that the Company is no longer seeking Commission approval for \$629,930 in debt financing as requested in the pre-filed testimony of Stephen St. Cyr. Is this correct? If so, does the Company intend to file a revised Petition in this Docket?

Response: The Company continues to seek Commission approval of the financing and step increases. Initially, the Company proposed financing consisting of equity and debt of \$150,000 and \$629,930, respectively. The PUC Staff in its proposed revenue requirement reflected a reduction in the amount of equity, the addition of previously approved debt and a significant reduction in the interest rate on the proposed new debt. After much discussion, and in response to Staff's proposal, the Company's owners decided to contribute the entire amount of the financing as paid in capital. While the form of the financing has changed, the substance has not changed. The Company does not plan to revise its petition.

Staff 1-7

Re: Proposed Interest Rate on Financing of 9.75%:

- a) Please explain how this particular interest rate was derived.
- b) Please justify this level of interest especially in light of the current availability of lower interest rate loans from commercial lenders.
- c) Would the shareholders consider a lower initial interest rate on the financing that would be adjustable at future intervals during the term of the note?

Response

- a) The owners agreed to charge the Company the cost of equity rate of 9.75% approved in its last rate case instead of the 10% interest rate that the owners have historically charged the Company.
- b) While “the current availability of lower interest rate loans from commercial bank” may be available to some borrowers, such interest rate loans are not available to the Company, as indicated by TD Banknorth refusal to loan the Company funds.
- c) Yes. However, the shareholders would expect an interest rate above what a bank might charge, if in fact a bank were willing to loan the Company money. If a bank is not willing to loan the Company money, it would seem as though the interest rate would be higher not lower.

STEPHEN P. ST. CYR & ASSOC.

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Accounting & Finance
Budgeting & Forecasting
Financial Statement Preparation
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Management Services

May 30, 2008

Debra A. Howland
Executive Director and Secretary
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N. H. 03301-2429

Re: Lakes Region Water Company
DW 07-105, Investigation into Quality of Service

Dear Ms. Howland:

Enclosed please find the original and eight copies of Lakes Region Water Company's calculation of its 2007 actual rate of return. In the settlement agreement between the Commission's Staff and the Company, the Company agreed to submit its calculation of the actual rate of return by May 30, 2008.

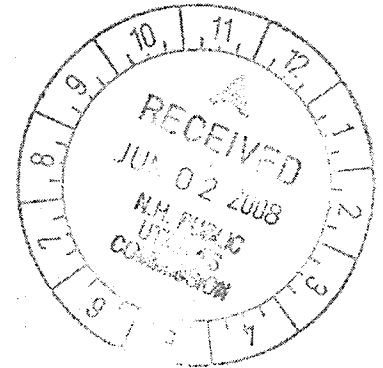
Based on the calculation, the Company believes that its actual rate of return (4.12%) is sufficiently below its last authorized rate of return (8.23%) to justify an increase in rates. The Company is reviewing whether to pursue a general rate increase, particularly in light of its recent financing and step increase petition.

If you, the Commission Staff and/or the Commissioners have any questions or comments, or need additional information, please contact me directly at 207-282-5222 or at stephenpstcyr@yahoo.com.

Sincerely,


Stephen P. St. Cyr

CC: DW 07-105 Service List



14. Referencing page 63 of the 2007 LRWC Annual Report, why does the table at the bottom of the page show neither debits nor credits for 2005, 2006, 2007 to the balance of accumulated deferred income taxes? If the Company used some of the accumulated balance to offset taxes due as indicated in the response to OCA 1-24 should such use be reported here? Please explain.

Response: In recent years the Company has taken accelerated depreciation on additions to plant for tax purposes but has been limited either due to SEC 179 limitations or net losses. As such, tax depreciation and book depreciation have been the same, resulting in no change to the accumulated deferred income taxes.

Staff 1-8

Re: Gunstock Glen:

- a) When is the Company proposing to start charging its Gunstock Glen customers the consolidated rate?
- b) Would the Company agree that the marginal increase in revenue resulting from this increase in rates to Gunstock Glen customers should be factored into the determination of the proposed step increases?

Response

- a) The Company proposes to start charging its Gunstock Glen customers the consolidated rate along with the Step 1 increase.
- b) Yes.

15. If the Company is allowed to bill the Gunstock Glen customers at the consolidated rate, what would the additional annual revenue be to the company?

Response: The additional annual revenue at the present consolidated rate would be \$10,025.

19. At the prehearing conference in this docket, Douglas L. Patch, Esq. representing Property Owners Association of Suissevale (POASI) stated that the special contract in place between LRWC and Suissevale has a rate adjustment mechanism which depends on certain items reported in the LRWC's Annual Report. Please explain whether the Suissevale rates are currently subject to change based on the 2007 LRWC Annual Report as filed, and if so, what is the estimated magnitude of that change on an annual basis? See Transcript, DW 08-070 July 1, 2008 Prehearing Conference, at page 15 Line 23 through page 16 Line 3.

Response: POASI rates are currently subject to change based on the LRWC 2007 annual report.

The calculated magnitude of the annual adjustment based on 2007 financial results, as calculated by LRWC using Appendix A of the POASI supply agreement will be approximately \$4,800.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: May 22, 2006
AT (OFFICE): NHPUC

FROM: Karen Moran, Examiner

SUBJECT: Lakes Region Water Company, Inc.
DW 05-137
FINAL Audit Report

TO: Mark Naylor, Director
Stu Hodgdon, Chief Auditor
Jayson Laflamme, Utility Analyst

Introduction

The PUC Audit Staff (Audit) has completed an audit of the books and records of Lakes Region (LRW, Company) for the test year 2004. LRW is comprised of one administrative division and sixteen operating divisions in the Lakes Region of New Hampshire.

External Audit

Lakes Region employs Norm Roberge, C.P.A. to prepare and review monthly closings of the books for LRW, as well as to compile the year-end financial report. Because the financial compilation is prepared by the same person who reviews the monthly closings, there was not a true external review of the records completed.

The Filing in this docket, as well as the annual PUC Report, has been prepared by Stephen St. Cyr.

The Audit staff appreciates the assistance provided by Norm Roberge, and his presentation of the supporting schedules at the outset of the audit.

Corporate Structure

Tom Adam Mason and Barbara Mason are co-owners of Lakes Region. There were two office assistants (one full-time and one part-time) and five different line workers during the test year. One of the line workers was part-time for a short period of time, and one replaced another. The regular compliment consists of three full-time line workers.

Audit Issue #1

Affiliate Contracts

Background

LRW has filed with the Commission six affiliate agreements between and among LRW, TJ Excavation, Tom Mason, and Tom and Barbara Mason.

Exception

The rates specified in the agreements on file do not agree with the rates being charged.

Conclusion

It is recommended that an updated fee schedule, or revision to the contracts on file, be documented by LRW and filed with the Commission.

Company Comment

The Company is updating its agreements and will submit same for PUC review. The Company and affected parties of the agreements intend to review such agreements on an annual basis.

Audit Comment

Audit concurs with the Company comment.

AFFILIATE AGREEMENT

AGREEMENT, effective the 1st day of August 2008 by and between Lakes Region Water Company, Inc. ("Water Company") and LRW Water Services, Inc ("Contractor");

WHEREAS, Contractor, from time to time, utilizes the employees and equipment of the Water Company for Contractor's own purposes;

WHEREAS, Water Company, from time to time, utilizes the employees and equipment of the Contractor for Water Company's own purposes;

WHEREAS, there is an economic benefit to be derived by the Water Company in sharing its personnel and equipment with Contractor;

WHEREAS, there is an economic benefit to be derived by the Contractor in sharing its personnel and equipment with the Water Company;

NOW, THEREFORE, in consideration of the mutual agreements herein contained,

1. Contractor shall pay the Water Company upon the terms and conditions hereinafter set forth in **APPENDIX A – Contractor Utilization of Water Company Personnel and Equipment**
2. Water Company shall pay the Contractor upon the terms and conditions hereinafter set forth in **APPENDIX B – Water Company Utilization of Contractor Personnel and Equipment**
3. **APPROVAL:** This agreement and rates are subject to approval of the New Hampshire Public Utilities Commission.

IN WITNESS WHEREOF, Water Company and Contractor have caused this Agreement to be signed.

By: _____
Thomas Adam Mason ('Sr.), President
Lakes Region Water Company, Inc.

By: _____
Thomas Albert Mason ("Jr."), President
LRW Water Services, Inc.

APPENDIX A
Contractor Utilization of Water Company Personnel and Equipment

Utilization of Personnel: Contractor, from time to time, utilizes employees of the Water Company to provide assistance to the Contractor

Utilization of Equipment: Contractor, from time to time, utilizes equipment of the Water Company to provide assistance to the Contractor

Compensation:

Personnel including a pick-up (vehicle) \$ 50.00 per hr
(cost includes employee's hourly rate, payroll taxes, employee benefits, vehicle costs including fuel, maintenance, insurance and depreciation.

Equipment (without operator)

Excavator (Mustang)	\$ 65
Dump Truck (2003 GMC)	\$ 50
Power Mole (PD6 Plus)	\$ 100

Office Services: \$125.00 per month

This covers office personnel taking phone messages, receiving faxes, and other simple sundry tasks.

Special office type services performed by Water Company office employees such as preparation of reports are to be billed at \$ 50.00 per hr

Conditions:

The Water Company shall maintain worker compensation insurance on its employees, liability and property damage on all of its equipment and will furnish certificates of insurance to the Contractor of these coverages.

The Water Company shall be responsible for all costs associated with pick-up vehicles including but not limited to fuel, maintenance, insurance and depreciation.

The Contractor shall be responsible for fuel cost when using equipment listed.

The Water Company shall be responsible for all maintenance and insurance on equipment listed.

APPENDIX B
Water Company Utilization of Contractor Personnel and Equipment

Utilization of Personnel: Water Company, from time to time, utilizes employees of the Contractor to provide assistance to the Water Company

Utilization of Equipment: Water Company, from time to time, utilizes equipment of the Contractor to provide assistance to the Water Company.

Compensation:

Personnel including a pick-up (vehicle) \$ 50.00 per hr

(cost includes employee's hourly rate, payroll taxes, employee benefits, vehicle costs including fuel, maintenance, insurance and depreciation.

Exception to above rate will be for plowing services which will be at \$ 70 per hr (this will apply only when pick up is used for plowing)

Equipment (hourly costs includes operator):

Roller	\$ 80	10 Wheeler	\$ 90
Dozer	\$ 95	Small Excavator	\$115
Large Excavator	\$125	Loader	\$100
Grader	\$100		

From time to time other equipment may be substituted or used with a comparable rate being agreed to by both parties.

Conditions:

The Contractor shall maintain worker compensation insurance on its employees, liability and property damage on all of its equipment and will furnish certificates of insurance to the Water Company of these coverages.

The Contractor shall be responsible for all costs associated with pick-up vehicles including but not limited to fuel, maintenance, insurance and depreciation.

The Water Company shall be responsible for fuel cost when using equipment listed.

The Contractor shall be responsible for all maintenance and insurance on equipment listed.

3. Regarding the response to OCA 2-5, the “Affiliate Agreement between Water Company and Contractor 08/01/08” titled “Appendix A Contractor Utilization of Water Company Personnel and Equipment,” as provided indicates hourly rates for Personnel and Equipment. Please provide evidence that each of these rates is the greater of “market value or the company’s actual cost” as required by Puc 2105.09(a)(2).

Response: The Company is charging the contractor \$50.00 per hour for personnel including a pick-up. Its costs for labor and vehicle are \$28.18.

4. Regarding the response to OCA 2-5, the “Affiliate Agreement between Water Company and Contractor 08/01/08” titled “Appendix B Water Utility Utilization of Contractor Personnel and Equipment,” as provided indicates hourly rates for Personnel and Equipment. Please provide evidence that each of these rates is the lesser of “market value or the company’s actual cost” as required by Puc 2105.09(a)(3).

Response: See attached samples of contractor’s invoices to nonaffiliated customers. Please note that the contractor is charging the Company \$15.00 less for labor and vehicle than it charges other nonaffiliated customers.