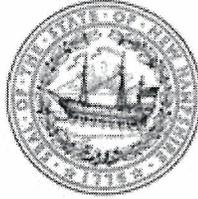


STATE OF NEW HAMPSHIRE

CONSUMER ADVOCATE
Susan W. Chamberlin



TDD Access: Relay NH
1-800-735-2964

Tel. (603) 271-1172

ASSISTANT CONSUMER
ADVOCATE
Rorie E.P. Hollenberg

Website:
www.oca.nh.gov

OFFICE OF CONSUMER ADVOCATE
21 S. Fruit St., Suite 18
Concord, N.H. 03301-2429

September 12, 2012

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319



**RE: DW 10-141 Lakes Region Water Company, Inc.
Request for Permanent Rate Recoupment**

Dear Ms. Howland:

On September 10, 2012, the Commission received a recommendation from its Staff concerning Lakes Region Water Company's (Company) request for approval of the Company's recovery of the difference between permanent and temporary rates. Please accept this letter as the response of the Office of the Consumer Advocate (OCA) to the Company's filing and the Staff's recommendation.

The OCA supports Staff's recommended recoupment amount. The OCA also appreciates Staff's efforts to review and verify the recoupment calculation proposed by the Company, which efforts revealed a computational error and resulted in a sizeable increase to the recoupment amount.

Aside from the recoupment amount, the OCA has several concerns related to the Company's proposal. First, the OCA believes that, given the Company's consolidated rates, recoupment of the difference between permanent and temporary rates should be implemented through a single recoupment amount for metered customers and another single amount for non-metered customers. The OCA understands that the Company and Staff have each used a methodology which seeks to account for the Company's different quarterly billing cycles with the intent of increasing the potential "fairness" of the recoupment to customers. The Company and Staff's methodologies, however, are very complex and, as evidenced by the significantly different calculation totals, susceptible to error. These methodologies, which calculate system-specific recoupment amounts, are also inconsistent with the Company's consolidated rate structure. Consequently, the OCA asks that the Commission direct the Company to work with the parties in future rate cases to devise a more simplified approach, which is consistent with its consolidated rates, for implementation of temporary rates and the calculation of recoupment.

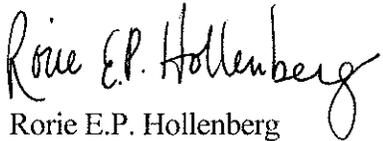
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Second, the OCA is concerned about the impact on customers of the recoupment when added to the recovery of the Company's rate case expenses. The Company's filing suggests that these two surcharges could increase customers' rates by as much as \$50 per quarter (34% above the recently approved new permanent rates for non-metered customers). Consequently, the OCA questions whether the recovery period for the recoupment and/or the rate case expenses should be longer than 12 months in duration.

Third, the magnitude of the computational error in the Company's original recoupment filing which would have under-collected amounts owed to the Company by nearly \$14,000 (or 35% of its original request) concerns the OCA. Such an error causes the OCA to question Company's ability to adequately respond to the continued demands of regulation and the many challenges that currently exist for this Company and its customers.

Thank you for bringing these comments to the attention of the Commission. Please do not hesitate to contact me with any questions.

Sincerely,

A handwritten signature in cursive script that reads "Rorie E.P. Hollenberg". The signature is written in black ink and is positioned above the printed name and title.

Rorie E.P. Hollenberg
Assistant Consumer Advocate

cc: Service lists (via email)