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**Please respond to the Portsmouth office**

November 9, 2012

**Via Hand Delivery**

Debra A. Howland  
Executive Director & Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, NH 03301-2429

NOV 09 12 PM 3:58

Re: Lakes Region Water Company, Inc.; DW 10-141

Dear Ms. Howland:

I write to provide Lakes Region Water Company's response to your letter of October 23, 2012 by which the Commission ordered that the Company respond to two questions regarding the recent appointments to its Board of Directors. Having considered this matter at length, I offer the following response on behalf of the Company:

First, I would like to emphasize that Tom Mason and the Company took this matter very seriously and went to great lengths to locate additional members to serve on its Board of Directors as directed by Order No. 25,391. This was a major change for a Company that has been a closely held family business for decades. As the Commission is well aware, the Company's present financial position did not permit it to offer financial incentives that a larger utility would typically offer to induce senior management executives. The Commission appeared to recognize this challenge when it stated that: "Ideally, the replacement directors will have some level of managerial experience". Order No. 25,391, Page 24. None the less, the Company search sought independent candidates with professional experience in law, banking, accounting, as well as in water-industry experience.

The Company considered whether it would be appropriate to select a member who represented one or more of its customer groups such as Suissevale or Hidden Valley. However, on advice of counsel, the Company concluded that selection of a Board member who also served as a representative of a customer group would create difficult legal and fiduciary conflicts for Board Members who

by law must act as fiduciaries to the interest of the Company's shareholders. For example, the Company has had and expects to continue on-going discussions with Suissevale concerning the Mt. Roberts project;<sup>1</sup> Hidden Valley has opposed to the Company's current rate case; and the Company has publicly stated that it intends to pursue potential acquisition potential acquisition by a larger utility as a means to enhance its financial and managerial performance. These examples illustrate the difficult questions of fiduciary duties and confidentiality that would arise if the Company selected a representative of a customer group to serve on its Board of Directors. In the Company's view, such conflicts would preclude the Company from realizing the full benefits that the Commission sought to accomplish.

Second, your letter suggests that the Commission views its Order to have greater reach than the Company, rightly or wrongly, understood from reading the language used by the Commission. The Company understood that the Commission's intent was to direct that the Company make changes to its Board of Directors, but to allow the Company's shareholders discretion provided by law to select the appropriate candidates. See Order No. 25,391, Page 24 ("we ask that two new members ... be appointed"); *Id.*, ("the Board may want to consider turning to customers") (emphasis added). This is not to say that the Company read Order No. 25,391 to be purely advisory. The Commission clearly directed that changes be implemented and specifically ordered that the Company report the steps taken by the Company. See Order, Page 24 ("We also hereby require Lakes Region to promptly inform Commission Staff of the identity and professional experience of the replacement directors ... no later than September 1, 2012."). The Company therefore accepted its obligation to make changes and report those changes to the Commission.

Order No. 25,391 did not state (or imply) an intent to preclude the Company's shareholders from appointing Mr. Mason to serve on its Board. The Company believed this to be an appropriate change in order to provide the Board input on its operations and performance. While the Commission has considerable discretion to regulate the Company, under New Hampshire law the Company's shareholders have the sole power to establish and appoint members to its Board of Directors. See *e.g.* RSA 293-A:2.05. The Company does not believe that Order No. 25,391 intended to wrest control of the Board from its sole shareholder.<sup>2</sup>

Of course, the purpose of providing this explanation is not to challenge the Commission's authority, nor to challenge its Order. The Company took steps to enhance its managerial experience and accepted its obligations under the Commission's Order. The purpose of this explanation is to provide insight into the Company's decision making process as it sought to implement the requirements of Order No. 25,391. The Company firmly believes, and hopes the Commission will recognize, that it has acted prudently and deliberately to meet both the requirements and intent of Order No. 25,391.

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<sup>1</sup> By agreement, the Company's discussions with Suissevale are confidential. However, the Company considers a long-term agreement on the Mt. Roberts project to supply Suissevale to be one of its highest priorities.

<sup>2</sup> In retrospect, the Company acknowledges that by using the phrase "replacement directors" in Order No. 25,391, the Commission may have intended to preclude Ms. Mason from serving on the Board in any capacity. However, the Company perceived the Commission's intent to be to enhance the Board's management, and not to preclude its sole shareholder from serving.

In light of the foregoing explanation, the Company provides the following response to the questions asked by the Commission:

**1. Is Mrs. Barbara Mason competent to discharge her duties as a Director of Lakes Region's Board? If so, Lakes Region shall provide, as part of its response, a written affirmative statement of Mrs. Mason's competency, signed by a responsible corporate officer of Lakes Region.**

Emphatically yes. I have enclosed a letter from Mrs. Mason affirming that she is competent to discharge her obligations as a Member of the Company's Board of Directors. Mrs. Mason has also authorized her primary care physician to provide the enclosed opinion confirming that she is qualified to make decisions, as indeed she must, concerning her ownership of the Company. It appears that confusion has arisen as a result of Tom Mason's testimony before the Commission. As noted by the Commission, Mr. Mason testified as follows:

**Q. And, what is your opinion on her mental capacity to serve as a Board of Director -- or, on the Board of Directors?**

A. Neither -- my mom has no interest either. She's pretty much home-bound at this point, too. Both of them would be more than willing to not be a board of director. I don't even know if they know that they still are, to tell you the truth. And, that's not a problem. I can definitely change that around.

Tom Mason's testimony was not that Mrs. Mason lacked the capacity to make decisions. His testimony stated that her interest in the day-to-day operation of the Company was limited, particularly in light of her husband's declining health. She remains fully competent to make decisions and is keenly interested in investment in the Company and the revenue (or lack thereof) it provides to support her retirement.

**2. Did Lakes Region reach out to customers during its selection process for replacement members of the Board?**

Lakes Region reached out to particular customers and ultimately appointed Fred Malatesta to serve on its Board of Directors. Mr. Malatesta is a residential customer of the Paradise Shores / Balmoral water system, the Company's largest. The Company did not send a mailing or mass communication to its customers for a number of reasons. The cost of such a mailing to the Company's 1643 customers would have been significant and, because the Company bills its customers on a rolling monthly basis, it could not have notified all customers within the period specified by the Commission's order.

In addition, the Company did not read Order No. 25,391 to require that the Company reach out to all customers. Order No. 25,391 stated that "the Board may want to consider turning to customers of Lakes Region to recommend one of the new members of the Board of Directors, so as to enhance communication and coordination between Lakes Region and its customers." Page 24. The Company did consider such a mailing. However, after one of its customers with experience in the water industry, Mr. Malatesta, agreed to serve on the Board, the Company felt

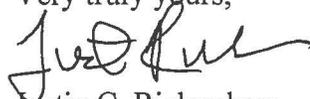
November 9, 2012

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that a mass communication to all customers was not necessary and would create the mistaken impression that the Company was unable to locate qualified management.

I hope that you and the Commission find this letter on behalf of Lakes Region Water Company responsive to your letter of October 23, 2012. If you or the Commission have any further questions or require additional information, please feel free to contact me.

Very truly yours,



Justin C. Richardson

[jrichardson@upton-hatfield.com](mailto:jrichardson@upton-hatfield.com)

JCR/sem

Enclosure(s)

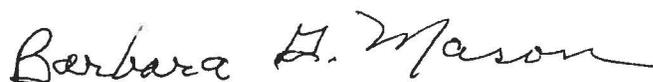
cc: Service List DW 10-141 (Via Electronic Mail)

9 November 2012

To: NH Public Utilities Commission,

My name is Barbara G. Mason of Lakes Region Water Company. I am writing you because I need to keep my position on the board of directors of LRWCo. For 38 years my late husband Thomas A. Mason, Sr. and myself ran the day to day operations of the company. A few years back, Thomas fell ill and had to pull back from daily operations. I in turn, had to pull back as well to take care of my aging husband. May 3rd, 2012 Thomas passed away, leaving me the sole shareholder in the company. At no point did I relinquish control of the company. At this point I do not intend on going back to the daily operations. I do , however, intend on keeping my eye on my investment. To do so, I need to remain on the board of directors. If needed, I am willing to appear in front of your commission.

Thank-you,

A handwritten signature in cursive script that reads "Barbara G. Mason". The signature is written in black ink and is positioned above the typed name and address.

Barbara G. Mason  
Po. Box 695  
Moultonboro, NH 03254

VLASTA ZDRNJA MD PLLC  
240 S Main Street  
Medical Arts Center, Suite I  
Wolfeboro, NH 03894  
Phone 603-569-0980 Fax 603-569-0982

October 29, 2012

Re: BARBARA MASON (8/31/1930)

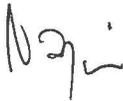
To Whom It May Concern

This letter is to confirm that Barbara Mason has been patient of mine. She is medically of sound mind and has mental capacity to make decisions.

If you have any additional questions, please do not hesitate to contact me.

Sincerely,

Vlasta Zdrnja, MD

A handwritten signature in black ink, appearing to read "Vlasta Zdrnja". The signature is stylized and written in a cursive-like font.

Water  
Service  
Associates

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September 12, 2012

Thomas Mason  
Lakes Region Water Company  
420 Governor Wentworth Highway  
Moultonboro, NH 03254

Re: Employment Time line

Tom,

The following is my educational background and employment in water related fields:

1980-1982: University of Massachusetts - Engineering Student

1982-1983: Lakes Region Water Co. - Laborer

1983-1988: Acton Water District - Licensed Operator (Grade 3)  
Cross Connection Program Coordinator  
Equipment Operator

1988-1990: Viking Water Products - Field Supervisor  
Municipal Cross Connection Control Programs  
Backflow Prevention Device installation/repair  
Large fire line meter re-calibration/repair

1990-Present: Water Service Associates (owner) - Management and Operation of Municipal  
Cross Connection Control Programs throughout Massachusetts.

If you have any questions or require additional information with regards to Water Service  
Associates' current contracts or operational services don't hesitate to contact me.

Respectfully,

Gary Odoardi  
Water Service Associates

Fred Malatesta  
43 Sunrise Dr.  
P O Box 221  
Moultonboro NH 03254  
603-476-8427

Sept 3, 2012  
Tom Mason  
President  
Lakes Region Water Company  
P O Box 389  
Moultonboro, N H 03254

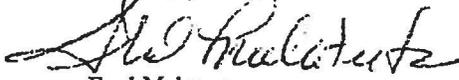
Dear Tom,

First let me express my delight at serving you as Board member for the Lakes region Water Company. Having owned property at my current address 43 Sunrise Drive in the community of Paradise Shores/ Balmoral since 1974 , 48 years , I am very familiar with Lakes region Water Company . As you are aware I moved to my address permanently 11 years and have tried to retire many times but just can't stand not to be engaged.

A quick background for the past year and a half I have been retired watching the garden and flowers grow, prior to that worked for Lakes Region Water Company for three years with a Grade 1 water license installing water meters, taking water tests, reading water meter and doing the many tasks that arose. before that I was a school bus driver here in Moultonboro, sold Insurance, had my own consulting company in sales and marketing, and I spent 18 years with Polaroid Corporation in H R Marketing and Sales. I hope that this brief synopsis will give you what you need and if you need more details just ask.

I look forward to working with you and others on your board.

Sincerely yours,

  
Fred Malatesta