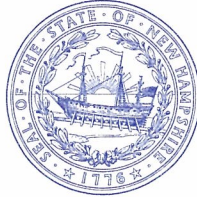


THE STATE OF NEW HAMPSHIRE

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April 9, 2013

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

Re: DW 10-141, Lakes Region Water Company, Inc.
Request for Approval of Financial Manager
Joint Recommendation for Rate Adjustment

Dear Ms. Howland:

On July 13, 2012, the Commission issued Order No. 25,391 in this docket, which among other provisions permitted Lakes Region Water Company, Inc. (Lakes Region) to seek recovery for the costs of hiring a full-time permanent manager. On March 5, 2013, Lakes Region filed a Request for Approval of Financial Manager and, on March 19, 2013 Lakes Region filed a Schedule of Costs for Utility Financial Manager. As Lakes Region has now hired a manager, the company seeks recovery of a total of \$62,474.88, consisting of \$59,546.08 in direct employee costs, and \$2,928.80 in recruitment costs.

In Order No. 25,391, the Commission established conditions for this hiring which included the requirement that the manager be a resident of Lakes Region's service area. Lakes Region asserts that it was not able to recruit a suitable candidate living within its service area, and notes that the candidate chosen for the position otherwise meets the Commission's requirements. Therefore, Lakes Region requests approval for recovery of the associated costs notwithstanding the residence of the selected candidate.

Together with the Office of the Consumer Advocate (OCA) and non-advocate Staff, advocate Staff recommends that the Commission provide its approval for recovery of the costs of the manager since Lakes Region's hiring of the manager is largely consistent with the Commission's order. While the Commission's order references a "rate surcharge" for recovery of these costs, advocate Staff, non-advocate Staff, and the OCA believe that since the direct employee costs can be considered permanent and on-going costs, an adjustment to the permanent rates of Lakes Region will be more efficient. It is therefore recommended that Lakes Region's recovery of the \$59,546.08 in direct employee costs be recovered in permanent rates, and the

DW 10-141 Lakes Region Water Company, Inc.
Recommendation Regarding Rate Surcharge for Manager Costs

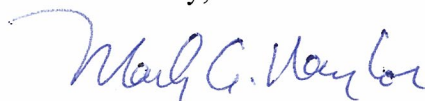
\$2,928.80 in recruitment related costs, as one-time non-recurring costs, be recovered by means of a temporary surcharge. Advocate Staff, non-advocate Staff, and the OCA recommend recovery of the recruitment costs in a single billing quarter, in the amount of approximately \$1.81 per customer.

Prior to the commencement of the recovery of these costs, Lakes Region should be ordered to file the appropriate compliance tariff pages. In the case of the permanent direct employee costs, Lakes Region should provide adequate supporting documentation for the calculation of its proposed new permanent rates. It is the expectation of Staff, non-advocate Staff, and the OCA that Lakes Region will rely less on outside contractors in the future and thus realize savings that can be passed on to customers in a future rate case. Hidden Valley Property Owners Association, an intervenor in this docket, takes no position on the company's request for recovery of the manager costs, but expresses hope that commensurate savings will be passed to customers with the reduction in the use of outside contractors. Property Owners Association at Suissevale, Inc. (POASI), also an intervenor, requested its position be stated as follows:

"Because its fees are established separately, POASI takes no position on the requested rate surcharge or the actual hiring, but hopes that a new financial manager will lead to better financial planning and commensurate administrative cost reductions. That having been said, while the hiring of the manager will hopefully be good for the Company, POASI still has significant concerns about the financial management and planning at Lakes Region and, most significantly, the reliance upon outside consultants. Absent a specific plan by Lakes Region to phase out the use of outside consultants over a defined period of time (which should be expedited) this hiring will only add to the costs associated with operating Lakes Region."

If there are any questions regarding this, please let me know.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

cc: docket-related service list