

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

September 24, 2010 - 10:16 a.m.
Concord, New Hampshire

NHPUC OCT19'10 PM 1:01

RE: DW 10-141
LAKES REGION WATER COMPANY:
Notice of Intent to File Rate
Schedule. (Prehearing conference)

PRESENT: Chairman Thomas B. Getz, Presiding
Commissioner Clifton C. Below
Commissioner Amy L. Ignatius

Sandy Deno, Clerk

APPEARANCES: Reptg. Lakes Region Water Company:
Stephen P. St. Cyr

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

Reptg. Hidden Valley Property Owners Assn.:
David M. Smith

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

Reptg. PUC Staff:
Marcia A. B. Thunberg, Esq.
James Lenihan, Gas & Water Division
Douglas Brogan, Gas & Water Division
Jayson LaFlamme, Gas & Water Division

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

ORIGINAL

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24**I N D E X****PAGE NO.****STATEMENTS OF PRELIMINARY POSITION, ET AL, BY:**

Mr. St. Cyr	5
Mr. Patch	8
Ms. Hatfield	10, 39
Ms. Thunberg	12, 40

PUBLIC STATEMENTS BY:

David Smith	16
Robert Haas	20
James Quinlan	22
Jarred Thomas	26
Bernard McGinnity	27
Christopher Tsakiris	33
Peter Connolly	35, 41
Heidi Adams	36
Wendy Clattenburg	27

P R O C E E D I N G

1
2 CHAIRMAN GETZ: Okay. Good morning,
3 everyone. This is a prehearing conference in Docket DW
4 10-141. For those of you who aren't familiar with the
5 process of a prehearing conference, let me explain how
6 we'll proceed this morning. I'm going to read into the
7 record that is being prepared by our court reporter a
8 brief description of the procedural background. And,
9 we'll hear from the Company and the Consumer Advocate and
10 Staff, and other parties who have sought formally to
11 intervene, and they will give a statement of their
12 positions in the case. Then, we will -- and, we'll
13 address any issues regarding Petitions to Intervene.
14 Then, we will provide the opportunity for public comment.
15 I have a sign-in sheet here, and I'll just go down the
16 list and ask people to come up to the podium so Mr.
17 Patnaude can hear the comments and transcribe them.

18 So, with that, I'll turn to the
19 procedural background. On May 19, 2010, Lakes Region
20 filed a notice of intent to increase its rates, and it
21 submitted a request to waive certain filing requirements.
22 We issued an order on August 17 that suspended the
23 proposed tariffs that the Company had filed on July 19,
24 and we, at that time, scheduled the prehearing conference

{DW 10-141} [Prehearing conference] {09-24-10}

1 for this morning. Lakes Region has requested a permanent
2 rate increase and requested temporary rates. It seeks a
3 permanent increase in annual operating revenues of
4 \$312,059, or a 40.74 percent increase compared to current
5 revenues. Lakes Region also requests a step increase in
6 2011. And, the combined permanent and step increase, if
7 approved, would increase operating revenues by 72.48
8 percent, an increase in average customer's bill by \$355
9 annually.

10 Lakes Region also asks for temporary
11 rates effective July 1, 2010. Those temporary rates would
12 result in an increase of approximately 25 percent.

13 I'll note for the record that we have
14 the Office of Consumer Advocate's Notice of Participation.
15 And, we have a Petition to Intervene by the Property
16 Owners Association at Suissevale, which is a wholesale
17 customer of Lakes Region. I also note for the record that
18 we have the affidavit of publication that was submitted by
19 the Company as required by our order in this case.

20 And, also, in terms of background, let
21 me just make clear, this is a procedural hearing, at the
22 beginning of a proceeding that can take many months. And,
23 there will be, over the coming months, hearings that are
24 adjudicative hearings, and which the Commission will hear

1 testimony and cross-examination from the parties and
2 argument on whether to, in the first instance, approve
3 temporary rates, and, at a later date, whether to approve
4 permanent rates, and, if so, in what amounts.

5 So, with that, I'm going to turn first
6 to the Company. And, then, is somebody here from
7 Suissevale? Mr. Patch is here. And, then, to
8 Ms. Hatfield and Ms. Thunberg. And, then, after we're
9 done with those issues, we'll hear from the public.

10 So, turn to the Applicant.

11 MR. ST. CYR: Did you want to take
12 appearances first?

13 CHAIRMAN GETZ: Let's take appearances,
14 and hear appearances, statements of positions, and whether
15 you have any position on the Petition to Intervene.

16 MR. ST. CYR: My name is Stephen P.
17 St. Cyr. And, with me today is Tom Mason, Jake Dawson,
18 and Norm Roberge, representing the Company. Next week the
19 Company anticipates that Attorney Donald Crandlemire will
20 file with the Commission to represent the Company. Do you
21 want me to make my statement now?

22 CHAIRMAN GETZ: Please.

23 MR. ST. CYR: In 2009, the Company's
24 water operating revenues amounted to \$991,000. Its water

1 operating expenses amounted to \$993,500, resulting in a
2 net water operating loss of \$2,500. When interest expense
3 and miscellaneous expenses are added to the net operating
4 loss, in 2009, the Company's total loss was \$208,000. The
5 Company has made a few proforma adjustments to revenue.
6 Most significant being an adjustment to allow the Company
7 to recover its expenses and to earn a fair rate of return
8 on its proposed rate base. The Company has also made a
9 number of adjustments to its water operating expenses.
10 The most significant adjustments are increases in federal
11 income and state business taxes as a result of the
12 increases in revenue and taxable income, increases in
13 wages, employment taxes and benefits, and depreciation.
14 The Company has also made some adjustments to its rate
15 base. The most significant adjustment is an addition to
16 rate base for its 2010 additions to plant. All of its
17 12/31/09 plant in service is used and useful, providing
18 service to customers. All of its 2010 additions are or
19 will be used and useful before the conclusions of this
20 case.

21 The Company's capital structure is
22 presently strong. The 12/31/09 capital structure is made
23 up of 42 percent equity and 58 percent debt. The proposed
24 capital structure is even stronger, made up of 50 percent

1 equity and 50 percent debt. The significant difference
2 being the 2010 additions to plant are being funded with a
3 contribution of additional paid-in capital by the
4 Company's owners.

5 The net result of the various
6 adjustments that the Company has proposed will be a
7 proposed rate base of \$2.6 million, a proposed rate of
8 return of 8.52 percent, and a proposed revenue amount of
9 \$1.3 million.

10 The Company has also proposed temporary
11 rates. For temporary rates, the Company has eliminated
12 many of the proforma adjustments, and submitted schedules
13 based largely on its 2009 actual results. For temporary
14 rates, the Company proposes a rate base of \$2.4 million, a
15 proposed rate of return of 8.39 percent, and annual
16 revenues of \$1.2 million.

17 In addition, the Company is proposing a
18 step increase for the proposed purchase of the property
19 known as the "Mount Robert's land". This is property that
20 sits across from the Company's Paradise Shores system.
21 The property includes wells, a pump house, pumping
22 equipment and mains. The Company estimates that the
23 purchase price will be approximately \$1.5 million. The
24 entire project will be funded by the shareholders with

1 additional paid-in capital. The revenue requirement
2 associated with that purchase and the development of land
3 is \$243,000.

4 The Company looks forward to working
5 with Staff and the other parties in the proceeding. We
6 believe that we'll be able to resolve any and all issues
7 that may arise. We anticipate being able to reach a
8 settlement that will ultimately be presented to the
9 Commission for its approval.

10 In summary, the Company respectfully
11 requests that the Commission approve (1) an annual
12 increase in revenues of 172,000 for temporary rates,
13 pending consideration of the permanent rates; (2) approve
14 replacing those temporary rates with a permanent rate
15 increase of \$291,000; and (3) approve a step increase of
16 243,000 for the purchase of the Mount Robert's land and
17 improvements. Thank you.

18 CHAIRMAN GETZ: Okay. Mr. St. Cyr, is
19 there any objection to the Petition to Intervene by the
20 Property Owners Association at Suissevale?

21 MR. ST. CYR: No.

22 CHAIRMAN GETZ: Thank you. Mr. Patch.

23 MR. PATCH: Good morning, Commissioners.
24 Doug Patch, from the law firm of Orr & Reno, appearing on

1 behalf of the Property Owners Association at Suissevale,
2 Inc. And, with me is the Suissevale Administrator, Bob
3 Boyan.

4 We have stated in our petition the basis
5 for our intervention. I'd be happy to go over that again.
6 But, as you have noted, Suissevale is a wholesale
7 customer, a rather large wholesale customer of Lakes
8 Region, pursuant to a Water Supply Agreement that was
9 approved by the Commission, I think, four or five years
10 ago. And, Suissevale's interest in this proceeding is the
11 adjustment mechanism under the terms of that Water Supply
12 Agreement is such that it is interested in the expenses,
13 and the adjustment mechanism is tied to the annual report
14 that Lakes Region files. And, some of the issues that
15 were noted in the order of notice we think are relevant to
16 how that rate could be adjusted. The rate has been
17 adjusted, I think, three or four times since the Water
18 Supply Agreement was implemented.

19 And, you know, we have a concern,
20 obviously, going forward about revenues and about how they
21 may be allocated, and the amount of revenues under the
22 Water Supply Agreement and how that fits into the overall
23 picture. So, we think it important that we be here to
24 monitor the proceeding, and to ask discovery requests and

1 so forth. We do not, at this point in time, have a
2 definite position on the proposed rate increase, but
3 that's something we would formulate as we work our way
4 through the docket.

5 CHAIRMAN GETZ: Okay.

6 MR. PATCH: Thank you.

7 CHAIRMAN GETZ: Thank you.

8 Ms. Hatfield.

9 MS. HATFIELD: Thank you. Good morning,
10 Commissioners. Meredith Hatfield, for the Office of
11 Consumer Advocate, on behalf of residential customers of
12 Lakes Region. And, with me for the office are Steve
13 Eckberg and Ken Traum.

14 The OCA does not have a position in this
15 docket at this time, because we are still reviewing the
16 filing, and we intend to undertake discovery in short
17 order. We did want to raise a few issues for the
18 Commission's consideration. One is the significant rate
19 impact on consumers that must be considered. Another is
20 continuing service quality and operational issues that the
21 Company faces.

22 As the Commission knows, there are still
23 two other dockets opened related to Lakes Region. One is
24 07-105, which was the Commission's investigation of

1 whether the Company should be taken into receivership. As
2 the Commission knows, we are still in a monitoring phase
3 in that docket, and we continue to have regular meetings
4 with the Company to assess their progress on a variety of
5 issues.

6 Additionally, Docket Number 08-070 is
7 also ongoing. And, as the Commission knows, we're
8 currently in the third step increase phase of that case.

9 And, I raise those specific dockets,
10 because at some point the OCA may ask the Commission to
11 take administrative notice of those dockets, because of
12 the potential overlap of issues among the cases. But, as
13 I said, we are still reviewing the Company's filing.

14 With respect to an issue that the OCA
15 raised, and that the Commission also included in the order
16 of notice, related to the Company's request for a waiver,
17 the Commission did ask in the order of notice that we
18 address the OCA's objection to the Company's waiver
19 request and the issue of non-utility operations. And, we
20 would request that the Commission continue to wait to rule
21 on that waiver request, as we need some more information
22 at this time. The Company has been in touch with the OCA
23 and is trying to explain why they believe they need the
24 waiver. And, so, I think we just need a little bit more

1 time to work through that issue.

2 CHAIRMAN GETZ: Is that something that
3 is going to be addressed at the technical session or it's
4 going to take additional interaction beyond the technical
5 session, do you know?

6 MS. HATFIELD: I expect that it will
7 probably be the subject of some discovery requests, just
8 so that we're absolutely clear on the distinction between
9 non-utility operations versus the relationship between
10 Lakes Region Water Company regulated utility and the
11 affiliate, Lakes Region Water Services, which is also
12 owned and operated by Mr. Mason. So, my suspicion is that
13 we would probably want to engage in some discovery on that
14 issue.

15 CHAIRMAN GETZ: Okay. Thank you.

16 MS. HATFIELD: And, then, finally, the
17 OCA supports the intervention request of Suissevale.

18 CHAIRMAN GETZ: Thank you.
19 Ms. Thunberg.

20 MS. THUNBERG: Thank you, Commissioners.
21 Marcia Thunberg, on behalf of Staff. And, with me today
22 is Jim Lenihan, Doug Brogan, and Jayson LaFlamme. And, we
23 have a prepared statement to read into the record.

24 Staff does not object to the

1 intervention request of the Property Owners Association at
2 Suissevale. As the Commission has noted, the property
3 owners are a customer, and they have rights, privileges,
4 and duties that may be affected by this proceeding.

5 Therefore, Staff supports their intervention request.

6 With respect to OCA's letter that they
7 filed on June 1st, 2010, raising concerns about the
8 possible non-utility operations being conducted by Lakes
9 Region relative to various affiliate agreements, Staff
10 notes that the Company did respond by letter dated
11 June 8th that it had no such non-utility operations. It
12 is Staff's position that, while we share in OCA's concern
13 with regard to Lakes Region's affiliate agreements, Staff
14 feels that such matters can be best resolved through the
15 discovery processes in this case, and, therefore, supports
16 Lakes Region's request for a waiver concerning the
17 provisions of Puc 16.01(a) [1604.01(a)?].

18 Staff, with respect to the rate case
19 portion, will conduct its usual -- or, its usual, thorough
20 investigation of the rate case issues. It will conduct
21 discovery. There will also be a full and comprehensive
22 audit of the Company's financial records. Staff will
23 likely file testimony and make recommendations on such
24 issues as revenue requirement, rate of return, and rate

1 design. It is Staff's expectation that, during the
2 technical session following this prehearing, that the
3 parties and Staff will develop a proposed procedural
4 schedule, and that we will file that with the Commission
5 for your consideration shortly.

6 With respect to some of the specific
7 issues, Staff will be looking at the nature and prudence
8 of the Company's affiliate relationships; the
9 appropriateness of the compensation paid to the Company's
10 employees and shareholders; the Company's ability to
11 collect customer revenues and pay its outstanding bills
12 in a timely manner. Staff will be investigating various
13 items of fixed plant, including items either purchased or
14 construction -- or, constructed during 2010 that the
15 Company wishes to place into rate base. Staff will be
16 looking at the appropriateness of adding that plant.
17 Staff will also be taking a close look at the Company's
18 proposed rate of return and the appropriate levels of the
19 components which make up that number.

20 As to temporary rates, Staff has no
21 position on these temporary rates, but will be reviewing
22 the need and the appropriateness of that -- of the
23 proposed temporary rate request.

24 As to the step increase requested by the

1 Company, to recover the cost of land and equipment, that
2 is anticipated to be a new source of supply for the
3 Company. Staff is aware that the property in question,
4 known as the "Mount Robert's" property, is currently owned
5 by Lakes Region's shareholders. So, special scrutiny will
6 be placed on the cost associated with this property, as
7 well as the prudence of the plan to acquire the property.

8 That concludes Staff's remarks. Thank
9 you.

10 CHAIRMAN GETZ: Thank you.

11 (Chairman and Commissioners conferring.)

12 CHAIRMAN GETZ: Okay. First of all, let
13 me say that we're going to grant the Petition to Intervene
14 by Suissevale. That they have demonstrated rights,
15 duties, interests that may be affected by this proceeding,
16 and I'll note for the record there's no objection to their
17 intervention.

18 And, with that, we have, at this point,
19 no questions for the Applicant. Let me note for the
20 record that we do have in our docket file all of the
21 customer comments that have been received, and all of that
22 can be -- is available online for anyone who wants to see
23 the complete filing in this case.

24 So, I'll turn now to the sign-in sheet,

1 and the first person is David Smith.

2 MR. SMITH: Yes.

3 CHAIRMAN GETZ: Mr. Smith, if you could
4 get to a -- I think, there's a microphone on the table or
5 up there, so Mr. Patnaude can hear.

6 MR. SMITH: Well, first, let me say that
7 I didn't realize that I had to keep applying for a
8 Petition to Intervene. I have been involved with the
9 various dockets associated with Lakes Region Water Company
10 up till this point. And, I just thought, because I was
11 were granted a Petition to Intervene on the step increase,
12 that that carried on. Steve has just informed me that
13 that's not the case, and that I should make that known,
14 and request the opportunity to make such a petition.
15 Okay.

16 Just to give you some background. In
17 2003, no sooner did I retire, after being headmaster of
18 Brewster Academy for thirty years, then the Hidden Valley
19 Property Owners Association approached me and asked me to
20 be president to the Association. I told them that that
21 was a ridiculous proposition, because (a) I hadn't been on
22 the Board for 15 years and didn't know what the issues
23 were, and (b) I spend half the year in Georgia.

24 So, what they did is, they got me to

1 agree to be vice president, because they guaranteed me
2 there were no responsibilities. And, then, they didn't
3 elect a president. So, I was elevated to the presidency
4 under that circumstance.

5 CHAIRMAN GETZ: Sounds like standard
6 operating procedure.

7 MR. SMITH: Yes. Yes. What I didn't
8 realize, upon taking that position, is just how much time
9 the number one agenda would involve, and that has been
10 associated with our water service, with Lakes Region Water
11 Company, and with the various State agencies. Members of
12 the Commission are well aware that all that has been
13 entailed with that agenda and the associated
14 responsibilities, having many conversations with Steve, at
15 DES; Mark and Doug, at PUC; Steve, at OCA; and various
16 other members associated.

17 As I understand it, there are four
18 conditions under which PUC grants a water service
19 contract. They include the ability for dependable
20 service, infrastructure, and capacity; (2) the assurance
21 that the Company will do so in a way that and by means
22 that assure safety for the consumer; (3) that the
23 management capability to meet the responsibilities, both
24 to the consumer, and to ensure valid and timely compliance

1 with state regulations and reporting; and (4) the
2 financial wherewithal to carry out those responsibilities.

3 When I first became involved, there was
4 no question, I think on the part of both the State and
5 certainly us in Hidden Valley, that there were problems in
6 all of those concerns. The non-responsiveness to the
7 requests by consumers and, in fact, the State led to the
8 Commission's administrative orders. And, I am -- as a
9 result of the administrative orders, and the monthly --
10 or, the quarterly meetings, rather, to see that there was
11 compliance and support for the Company in meeting those
12 requirements, we have benefited.

13 Number one, the supply issues was
14 successfully addressed, as well as improvements in the
15 infrastructure, to ensure greater dependability in
16 delivery of service. Number two, we are being assured by
17 DES that, after some -- addressing some rather gross
18 safety concerns, have been cleaned up and monitored, and
19 without -- besides some original difficulties -- initial
20 difficulties, they have been clean and pure, if you will,
21 for two years now. Three, management, improvements in the
22 infrastructure have enabled the Company to identify and
23 thereby address breaks in a more timely manner, resulting
24 in less extended disruptions of service due to breaks.

1 And, what remains is a very delicate and deteriorating
2 veinal system that carries our water.

3 However, there have been, as far as
4 management concerns, there have been ongoing examples of
5 where promises have been made, and those promises have not
6 been fulfilled. So, that leads to a continuing concern
7 and a need to stay engaged.

8 And, now, we're in number four, which is
9 the financial question. I see my responsibility as
10 attempting to contribute to the resolution that is fair
11 and responsive. To be fair, we have the need to verify,
12 of course, expenses and activities, much of which have
13 been addressed by the first -- by the two speakers here
14 representing the State agencies of the issues going
15 forward. I have also recently, and I am thankful that I
16 have received the final audit report, which leads to
17 questions about the voracity of reports and what actually
18 are the investments, costs, and so forth, associated with,
19 okay, I'm going to have to say the rate increase.

20 I have depended on the auditors for
21 their good work. And, most all of this, and because I
22 have no way of knowing the specifics, the only line item
23 that I can see that brings the question to all issues is
24 the fact that -- is the loan rate that is being paid by

1 the Company. Whereas, it qualified for SRF, I think it's
2 called, loan of less than 2 percent. They, in fact, did
3 not take advantage of that, but rather took a loan from
4 the parent company. And, I underline "parent", that was
5 over four times that amount. With, of course, that
6 expense then coming back to the consumer. That's just one
7 example that leads me to question and the need to stay
8 engaged.

9 My problem goes back to what I said
10 initially, is that I spend half the year out of state.
11 What I hope to be able to do is to get someone to be here
12 in my stead, to be involved in the intervention on the
13 process, to stay in contact with that person, and continue
14 to stay in contact with the State, to therefore meet my
15 responsibility to my constituency, to, again, to try to
16 resolve this in a fair and responsible way. Thank you for
17 your attention.

18 CHAIRMAN GETZ: Thank you.

19 MR. SMITH: You're very welcome.

20 CHAIRMAN GETZ: Robert Haas.

21 MR. HAAS: Yes. Good morning,
22 Commissioners. I'm a resident of the Balmoral complex,
23 which is in the, excuse me, the Paradise Shores section.
24 I'm representing myself. And, my neighbor across the

1 street, my neighbor next door, Bill Hill, and the other
2 Bill next door, whose last name I can't think of right
3 now, but, anyway, both -- all of us strongly oppose this
4 rate increase. We don't feel -- we feel it's simply not
5 justified. We feel -- I personally feel that they will
6 have an effect on our property values. Because, when you
7 have to start disclosing rates like this, I mean, \$45 a
8 month without even using any water, I think that's going
9 to have a very, very negative effect on any us going to
10 try to sell our houses.

11 It's my understanding, if I got this
12 correctly from the representative of Lakes Region Water,
13 that they are intending to buy some more property from the
14 parent company for \$200,000. Which seems to be the same
15 amount of money that is a loss, that they're running as a
16 loss. Now, I may have my facts wrong, but I personally
17 don't think that the users should have anything to do --
18 any effect on their rates from a purchase of additional
19 property by a water company. I just feel that's very
20 unfair.

21 We're really, I don't know about the
22 other residents, but, in Balmoral, we're really kind of
23 stuck. A lot of us will kid around and say about drilling
24 our own well. If we drill our own well, it's my

1 understanding we still have to pay Lakes Region Water,
2 even if we disconnect. So, we're really stuck. And,
3 that's why I'm here today.

4 And, we also object to making rate
5 increases retroactive, which has happened in the past.
6 And, that's about all I can say. And, thanks for the time
7 for listening.

8 CHAIRMAN GETZ: Okay. Thank you. James
9 Quinlan.

10 MR. QUINLAN: Yes. I'm James Quinlan,
11 from the Paradise Shores water system. Some of my
12 concerns have already been spoken to. And, I think that
13 some of the stuff, as far as the discovery process, is
14 going to be probably forthcoming.

15 But some of my main concerns are, first
16 of all, you know, it's very unclear who the principals of
17 the companies are to us at Balmoral. Who the principals
18 of Lakes Region Water Services are, and the relationship
19 between those two companies. And, quite frankly, we're
20 very concerned about the charge-backs from Lakes Region
21 Water Services to Lakes Region Water Company. There
22 again, that will probably be discovered in the discovery
23 process.

24 We do feel as though the tariffs, the

1 way they're written, are pretty well, I shouldn't say the
2 word "lopsided", in favor of the water company, and not in
3 favor of the public at all. The oversight is very
4 questionable, as far as I'm concerned, and I'm speaking
5 for myself when I say that, the oversight on this entire
6 system. And, maybe it's from the state level or whoever
7 it's from. I've made calls in the past and got very
8 derogatory statements, which I don't want to repeat in
9 here, but some of the stuff is, quite frankly, ridiculous.

10 We have questions about the fixed rate
11 and the metered rates, and whether they have master meters
12 from the source versus master meters on property, such as
13 over at Suissevale and Balmoral. We have concerns about
14 water being taken from the system and trucked other
15 places, other locations, ahead of the meters. I've
16 addressed that with some of the people at the Public
17 Utilities Commission, and I never get any really
18 satisfactory answers, very gray areas on some of these
19 things. It's an ongoing problem up there.

20 The repairs seem to be only be done by
21 Lakes Region Water Services, whether it's a service to
22 your home or any type of repairs. I think it brings in
23 the question of credibility of the people that are making
24 the repairs, the timely fashion that they respond to the

1 repairs.

2 Just recently, we had a 2:00 in the
3 morning water break, a large hole in the public way was
4 left open. I was assured by their answering service that
5 it was being addressed, and it wasn't. I was standing by
6 the hole. A car could have gone in the hole, or a person
7 could have walked into the hole in the dark, there's no
8 streetlights in the area. I had to go out there and put
9 horses and caution tape around that area, and I did that
10 just before light. I questioned them on that.

11 These are the things that are going on
12 up there. And, like I said, the oversight is -- the
13 repairs are being made, I'm a master plumber myself, I
14 don't believe some of the repairs are made in a prudent
15 manner. I don't agree with some of the things that are
16 being done up there. I don't know that everybody is being
17 notified properly. I don't know if the State's being
18 notified about these things. Quite frankly, if you look
19 at the system, it looks very shoddy at best, the system.
20 It's falling apart.

21 And, I would take exception to the fact
22 that, if this state ends up using my tax money to repair a
23 system, that's supposed to have been maintained by a
24 private company all these years, and the condition of that

1 system, I would suggest that this Public Utility
2 Commission take an overall look and a thorough
3 investigation of the installations and the practices that
4 have been going on over the years up there, before they
5 even think about taking over a system like this. Okay?

6 I just don't -- I just don't agree with
7 any of it. And, I would hope that they would not make a
8 motion to give any rate increases until a thorough
9 investigation is done up there. It seems to me there's
10 conflicts of interest; there's been double billing;
11 there's the creditability of the installers and the people
12 that are working on the system. And, I think a lot of
13 these questions have to be answered before you give any
14 rate increases at all. Thank you very much.

15 CHAIRMAN GETZ: Thank you. One
16 question, Mr. Quinlan. Early on, you said something about
17 "making phone calls and hearing derogatory statements".

18 MR. QUINLAN: Yes.

19 CHAIRMAN GETZ: Were the phone calls to
20 the Company or phone calls to the Commission?

21 MR. QUINLAN: Phone calls to the
22 Commission. Whoever answered the phone up here and
23 discusses these situations with those water services.

24 CHAIRMAN GETZ: Okay. I guess I would

1 like to follow up on that, I don't know if we need to do
2 it on the record here, if we can find out who that is.
3 But, Ms. Thunberg, if you could speak with Mr. Quinlan,
4 I'd really like to know what that's all about.

5 MR. QUINLAN: I appreciate that. Thank
6 you.

7 CHAIRMAN GETZ: Thank you. Jarred
8 Thomas.

9 MR. THOMAS: Jarred Thomas, Balmoral
10 Association. A lot of my concerns have already been
11 expressed by Mr. Haas and Mr. Quinlan. But one other
12 thing I might add is, probably late spring/early summer,
13 we received a notice in the mail such as this one that
14 we're here mostly here for today, about bacteria in the
15 water. It suggested that you can boil the water,
16 possibly, if you don't feel comfortable, but there is
17 bacteria. And, if you're going to drink the water,
18 possibly boiling it or filtering the water would be
19 something that you would want to do.

20 Here we are, how many months later, and
21 we never heard anything else from this. We don't know if
22 the situation was confronted and fixed. We don't know
23 when samples are being taken. And, I would recommend that
24 DES steps in and starts, you know, taking their own

1 samples until this subject is cleared. Thank you.

2 CHAIRMAN GETZ: Thank you. Bernard
3 McGinnity.

4 MR. MCGINNITY: Yes. I'm Bernard
5 McGinnity. I also live in Balmoral. I've been a resident
6 there for about 14 years now. I'm from Massachusetts.
7 And, I, too, am here with James Quinlan and Jarred Thomas.
8 Jimmy did a very good job explaining some of the problems,
9 the basic main problems of the system. But I have a
10 couple of questions that -- a couple of concerns. That
11 young lady over there, I forgot, I don't know what her
12 name is, the one there, you made some statements as to you
13 are investigating the Company for further problems. Is
14 that -- does that -- do those problems concern the
15 contamination of the water at Tamworth at the time?

16 CHAIRMAN GETZ: Well, I guess, let me
17 talk about the process. If you have questions or comments
18 or things you want us to look into or think we should
19 explore during the case, you know, please put those on
20 record.

21 MR. MCGINNITY: All right. I'll do
22 that. I would like --

23 CHAIRMAN GETZ: But, if you have other
24 questions, you know, Staff would be happy to talk

1 afterwards.

2 MR. MCGINNITY: Afterwards.

3 CHAIRMAN GETZ: Yes.

4 MR. MCGINNITY: That's fine. That would
5 be good. If you don't mind, I'd like to sit with you and
6 Jimmy Quinlan on this, because we're all in compliance
7 with this situation.

8 My concern I have is that, I don't know
9 financially how this situation was handled through the
10 Lakes Region Water, but I know they put a brand new --
11 they built a brand new tank, water tank, that holds
12 millions of gallons of water up on the hill. And, the
13 first tank evidently, through completion, they found out
14 that that tank leaked. And, from what I understand, that
15 tank was demolished and a new tank was initiated.

16 Now, the new tank, from what I
17 understand, is working okay right now, but the water
18 pressure down at Balmoral is absolutely too much. I don't
19 know if this was taken into consideration by the water
20 company as to the conditions of the piping in the system
21 before the tank was put on the line. There's a lot of
22 mobile homes down there that lines are breaking, cracking,
23 because the pipes were not built for that type of
24 pressure. I know that at my house, which I live on

1 Mayflower Lane, which is down, halfway down into the
2 development. If I put the pressure on on my house, I have
3 a brand new system in my house. If I put the pressure on
4 in my house, I cannot use the little hose that comes out
5 of the sink, because the pressure is so much in that. If
6 you turn your faucet on, it splashes all over, all over
7 the sink and everything else. And, that might be a small
8 issue to this whole development here, but it is an issue.
9 That the pipes are breaking, and the service company has
10 to come out and repair those pipes. Now, I don't know
11 who's paying for that. Are we paying for that out of our
12 own pocket or does that come out of the Commission's --
13 or, the Lakes Region Water Company?

14 There's so much -- there's so much that
15 can be saved that we can see, as lay people, in the
16 development, that money can be saved by services. Now, I
17 understand that the Lakes Region Water is a public
18 utility. Am I correct? Just answer that question.

19 CHAIRMAN GETZ: That's correct.

20 MR. McGINNITY: It is a public utility.
21 Then, I was always under the impression, correct me if I'm
22 wrong, that, on a public utility, any service work that
23 had to be done in that public utility has to go out for
24 bids. Am I wrong?

1 CHAIRMAN GETZ: Well, again,
2 Mr. McGinnity, let's hear your comments.

3 MR. MCGINNITY: Well, my comment on this
4 is that it seems to me that the service company and the
5 parent company are one company. Am I correct on that? Am
6 I in the wrong building here? I mean, I shouldn't be
7 talking like this or what? I'm just trying to -- I'm
8 just, as a lay person that pays my water bill, I'd just
9 like to know how the Company is run. I don't know whose
10 the president, who the vice president is. I think we
11 should find out exactly who owns the company, who owns the
12 service company. If the service company is owned by the
13 same people, why are they allowed to do the work on their
14 own company?

15 CHAIRMAN GETZ: And, that's an issue --

16 MR. MCGINNITY: Because it's a public
17 utility now, if it's a public utility.

18 CHAIRMAN GETZ: Let me make one thing
19 clear for everybody else. Only one of us can talk at a
20 time or Mr. Patnaude is not going to get stuff on the
21 record.

22 MR. MCGINNITY: All right. Okay.

23 CHAIRMAN GETZ: But those are issues
24 that have been raised, that will be part of the issues

1 that need to be resolved in this case, the relationship
2 between the service company and the water utility. So,
3 that's going to be an issue. That's been mentioned by a
4 number of people, and that will be pursued as part of this
5 case.

6 What we try to do, in this part of the
7 case, is find out what the concerns are, what the issues
8 are, the things that we need to explore, and the things we
9 want to ask questions about. We're not making any
10 decisions today. We don't have all the facts before us.
11 And, so, that's why we're not going to get into a question
12 and answer period. We just want to find out what the
13 issues are and what directions we need to head.

14 MR. MCGINNITY: Well, if --

15 CHAIRMAN GETZ: In the technical
16 session, after we close this hearing, there will be an
17 opportunity to speak to the Company, to get answers to
18 particular questions. And, there's been lots of
19 particular questions raised that I don't know the answer
20 to about what's going on with the boiling water, I
21 certainly don't have that information.

22 MR. MCGINNITY: Well, how are we to get
23 it to you, if we don't have this hearing to explain it to
24 you? You know what I'm saying? I mean, I don't want to

1 -- I don't want to hold up this committee. But, as a lay
2 person, I would like to know, I pay good money for water,
3 I want to get the best water.

4 CHAIRMAN GETZ: I take your point. And,
5 when we finish the formal part of this prehearing
6 conference, there is what is called a "technical session"
7 that you will have the opportunity to ask questions of the
8 Company directly to some of your questions, and those are
9 the things that will be developed over the --

10 MR. MCGINNITY: There will be another
11 meeting, is that what you're telling me?

12 CHAIRMAN GETZ: Yes.

13 MR. MCGINNITY: We'll have another
14 meeting and we'll talk in that technical --

15 CHAIRMAN GETZ: Yes. Without us.

16 MR. MCGINNITY: Oh.

17 CHAIRMAN GETZ: With the Company.

18 MR. MCGINNITY: Well, I apologize.
19 Because I thought this hearing was an umbrella, it covered
20 everything. But I think you get a drift of what we're
21 here for.

22 CHAIRMAN GETZ: I do.

23 MR. MCGINNITY: All right. Fine. Thank
24 you very much.

1 CHAIRMAN GETZ: Thank you. Christopher
2 Tsakiris.

3 MR. TSAKIRIS: Yes, sir. I'll leave
4 these here. Good morning. My name is Christopher
5 Tsakiris. I reside at 146 Woodvale Drive. And, we are on
6 the Wentworth Cove system. I'm representing myself and a
7 host of neighbors.

8 As I sit and listen to the other
9 systems, to the other folks here in attendance, I, too,
10 have concerns with Lakes Region Water Company, the
11 financial piece of it, as well as the management and
12 ownership piece of the organization. I've been a lifelong
13 resident of Laconia, and have been on that water system
14 since building my home in 1994. My position and position
15 of my neighbors are opposed to any rate increase at this
16 time. I believe you probably have information from Ms.
17 Marcia Wadsworth, who had sent an e-mail.

18 As I mentioned, I echo everyone's
19 concerns here, in terms of the conditions of the systems.
20 We, too, have a fairly dilapidated system on Wentworth
21 Cove. I can see patterns here on the management of these
22 systems throughout the Lakes Region. And, I have very,
23 very, very grave concerns. I will bring up the issue of
24 the quality of the water, all of the other issues are

1 obviously being addressed at this time. But the quality
2 of the water and the service is very suspect to us.

3 Since my home was built in '94, I have
4 replaced four heating elements in my furnace system, four
5 hot water, and I know neighbors of mine as well have had
6 to replace those systems. I have called and been in
7 contact with the Company on numerous occasions, have had
8 several visits, and yet the quality of the water continues
9 to decrease.

10 I also am concerned and suspect with the
11 testing of our water. And, I know that it is brought to
12 the State on a monthly basis. However, I have concerns on
13 the methodology in which they extract the water for the
14 testing. I have put on a small filtering system for the
15 particulate. It's not a large system, but it is an inline
16 system. And, it rather amuses me that they're aware of
17 that, yet, they use my water for the tests. Subsequently,
18 it's being filtered. So, they're not giving the correct
19 water or a actual sample of the water that's being
20 delivered to my home.

21 And, these types of tests have been
22 going on, I know in the neighborhood, there are several
23 residents that have explained about the water quality.
24 The Company has actually installed filter systems, and

1 subsequently used their water for testing. So, we are not
2 getting true readings of the quality of our water.

3 I have had it tested at Laconia Water
4 Company, which is part of the municipality of Laconia.
5 And, they agree that there are some suspects to the
6 quality of the water. One particular item is turbidity,
7 as well as particulates, and I won't go into that here.

8 So, I do echo everyone's concerns.
9 Obviously, the council here can see a pattern of the
10 situation with Lakes Region Water Company. This has been
11 an ongoing problem for me since 1995, with no resolution.
12 And, I have also contacted New Hampshire Department of
13 Environmental Services, and spoken with that organization
14 several times, with a gentleman by the name of Jim Gill.
15 He is aware of the issues. He is aware of the open
16 dockets from '05 and '07. And, I just think that any rate
17 increase at this time is unjustified. Thank you.

18 CHAIRMAN GETZ: Thank you. Peter
19 Connolly.

20 MR. CONNOLLY: I'm from Far Echo Harbor
21 Association. And, I'm only here because the people that
22 should be here didn't have adequate notice. I got the
23 notice on Monday. And, I'm here just to fill in and let
24 you know that I think this whole meeting should be

1 canceled and held after a 30 day notice to us. That's my
2 first complaint.

3 My second complaint is that the Company
4 is very high-handed. They have pulled some stunts that
5 are not very nice. For instance, my son, who owns a home
6 up there also, was fined approximately \$600 for them to
7 search for a leak. He had a pipe break shortly after he
8 brought the house this past winter. They fined him about
9 \$600. He's finally paid it. I think he was nuts to pay
10 it. He goes in on property and does work, puts in pipes
11 and stuff, and doesn't even inform the people till
12 after-the-fact. He doesn't tell you when there's
13 something going on. If there's something on your property
14 that needs fixing, he should at least contact the owners.
15 He doesn't do that. And, he has a hostile attitude. I
16 wish we could get out from under the yoke of this water
17 company. Thank you.

18 CHAIRMAN GETZ: Thank you. Peter Adams.

19 MR. ADAMS: I'm going to acquiesce to my
20 wife, Heidi, now. She's going to be speaking.

21 MS. ADAMS: Heidi Adams, Lake Ossipee
22 Village. I'm also questioning the projected increase of
23 38 percent. I just don't see how it can be justified.
24 Every time we turn around, there will be another increase,

1 but I don't know what we are getting for it in return. I
2 don't feel as if we are getting much for our money. When
3 we first bought our house seven years ago, we were paying
4 \$34 a quarter, under a different water company, which I
5 realize was very low, but now we're up to \$123 a quarter.
6 And, besides the projected increase, now I find out that
7 there is -- they are looking for a temporary retroactive
8 increase. I just don't know what we are getting for our
9 money. And, I don't think the water quality is all that
10 great. We still buy bottled water, because we don't like
11 to drink it. And, many of our residents are seasonal
12 people, and they are still subject to this large increase.

13 I just want some answers as to what we
14 are getting for our money. Thank you.

15 CHAIRMAN GETZ: Thank you. Wendy
16 Clattenburg.

17 MS. CLATTENBURG: Hi. I'm Wendy
18 Clattenburg. I'm a new owner to Far Echo. This was kind
19 of our welcome letter. We've been there for two months
20 now, and this was one of the first notifications. It's
21 the first time I've ever had any type of public water.
22 And, about the same time that we had purchased the home,
23 within two weeks we received notice that the lead levels
24 in the water were at such a level that children, older

1 folks, anybody with a compromised immune system should not
2 be drinking the water.

3 I think a lot of these different
4 locations, especially Far Echo, we do an awful lot of
5 rentals. It really puts a big deterrent on when you have
6 to tell people that are coming in to rent that their
7 children and grandparents and parents shouldn't be
8 drinking the water. It definitely affects the rental
9 rates. And, I definitely agree that it could have a huge
10 impact on, you know, the property values. Like I said, we
11 just purchased, and then to find out that the water is not
12 drinkable, and that the cost for the water is going to go
13 up 40 percent, it just -- it seems ridiculous.

14 I have been very well informed here
15 today of a number of issues that I didn't understand.
16 Finding out that there is also bacteria in the water, that
17 the management systems are such that they look as though
18 they're, you know, one combined parent company. I share
19 all of the concerns that I've heard from all of the
20 different residents here today. And, I, too, had sent an
21 e-mail forwarding the concerns that I have, and now they
22 have only been exemplified.

23 CHAIRMAN GETZ: Thank you. One
24 question. You said you "received a notice about lead in

1 the water"?

2 MS. CLATTENBURG: Yes.

3 CHAIRMAN GETZ: Who sent the notice?

4 MS. CLATTENBURG: I've been trying to go
5 back through my records. Since we just closed on the
6 home, I have a file about six inches deep of paperwork,
7 that I'm going to find that and I can forward that to the
8 Commission.

9 CHAIRMAN GETZ: Okay. Thank you.

10 MS. CLATTENBURG: Sure.

11 CHAIRMAN GETZ: I have two question
12 marks on whether folks want to speak, and these are the
13 last two on the list. One looks like Andre Lavois?
14 Lavoie?

15 MR. LAVOIE: I would decline. Thank
16 you.

17 CHAIRMAN GETZ: Okay. Thank you. And,
18 Lee Donahue?

19 MR. DONAHUE: I'll decline also right
20 now.

21 CHAIRMAN GETZ: Okay. Thank you.
22 Ms. Hatfield.

23 MS. HATFIELD: Thank you, Mr. Chairman.
24 It occurs to the OCA that it would be appropriate for the

1 Commission, in some fashion, to reach out to the
2 Department of Environmental Services, to either become an
3 intervenor in the case or somehow assist, in light of all
4 of the service quality issues that have been raised by the
5 residents today. The OCA can take that step, but it seems
6 like it might be more appropriate for the Commission to do
7 that.

8 CHAIRMAN GETZ: Okay. Thank you.

9 Ms. Thunberg, did you have any thoughts on that issue?

10 MS. THUNBERG: As part of a rate case,
11 Staff does look at the overall water quality. And, Doug
12 Brogan is our Staff Engineer, and he is in regular contact
13 with DES on concerns.

14 I'd also like to note that we have the
15 monitoring docket, oh, gosh, 07-105 I believe is the
16 docket number, where we are -- we were looking at water
17 quality. It seemed like water quality was fading as an
18 issue. Today, it seems like it is rearing its head again
19 as an issue to look into.

20 So, Staff can either look at the water
21 quality and issues in that monitoring docket, it will
22 duplicate what the Staff will be doing in this rate case
23 docket, but also, in the monitoring docket, OCA is a
24 participant in that docket, too. So, there are multiple

1 ways that we will be looking at water quality and
2 interfacing with DES. DES regularly attends the
3 monitoring technical sessions that we have under the
4 monitoring docket, which is 07-105. Thank you.

5 CHAIRMAN GETZ: Well, I don't know that
6 we need to make a decision today whether that occurs in
7 one case or the other or both cases, so long as Staff,
8 yourself or Mr. Brogan, reach out to -- let's follow up on
9 these issues that have been raised today.

10 Mr. Connolly.

11 MR. CONNOLLY: One question. Could I
12 establish that you will have these people give us adequate
13 notice in the future, like probably should give 30 days?

14 CHAIRMAN GETZ: Well, I'll take under
15 consideration your assertion today that there wasn't
16 adequate notice. It looks, from what I can tell in the
17 record, that the Company filed the display notice as was
18 required of it. With respect to further -- are you
19 concerned about further proceedings in this case, about
20 notice for hearings, *etcetera*?

21 MR. CONNOLLY: Yes.

22 CHAIRMAN GETZ: Okay. Well, we will
23 publish all of that. Everything will be on our website
24 and that will be available. What will happen next in this

1 case is, we'll close this part of the hearing, there will
2 be a technical session for all of you to attend, who want
3 to, and there will be an agreement about a procedural
4 schedule for the rest of the case. And, I think it would
5 be a fairly easy issue, as part of that, to come to some
6 agreement on how notice can be sent out. If you all have
7 e-mail or other means through your normal home address, we
8 can have some way of making sure that you all get notice
9 of further procedural steps in this case.

10 (Chairman and Commissioners conferring.)

11 CHAIRMAN GETZ: One other procedural
12 issue, which actually is for Mr. Smith. Mr. Smith?

13 MR. SMITH: Yes.

14 CHAIRMAN GETZ: You had -- well, two
15 things. One is you had mentioned earlier that you had --
16 you were granted intervention or party status in another
17 case. Was that you or the Association?

18 MR. SMITH: That was to me.

19 CHAIRMAN GETZ: It was to you. Okay.
20 Because I take it --

21 MR. SMITH: Representing the
22 Association.

23 CHAIRMAN GETZ: Okay. Certainly, you
24 can move to or Petition to Intervene individually or for

1 the organization. I guess, and that can be done orally or
2 in writing. But, I guess, since you're not going to be
3 here when these hearings probably occur, we should figure
4 out whether it's going to be you or the Association.

5 MR. SMITH: It's the Association,
6 obviously.

7 CHAIRMAN GETZ: Okay. Okay.

8 MR. SMITH: And, I will -- okay. I'll
9 identify an individual for the Commission as to who that
10 person will be, if that's important?

11 CHAIRMAN GETZ: Okay. Well, it will be,
12 just in terms of notice. So, I will take what you have
13 proposed so far as a Petition to Intervene.

14 MR. SMITH: Thank you.

15 CHAIRMAN GETZ: I don't think we don't
16 -- there's no necessity for an additional written document
17 on that. Yes. And, that's on behalf of the Hidden Valley
18 Property Owners Association?

19 MR. SMITH: Right. Thank you.

20 CHAIRMAN GETZ: Okay. Thank you.

21 MR. SMITH: Thank you.

22 CHAIRMAN GETZ: Is there any objection
23 to, Mr. St. Cyr, to the intervention of the Hidden Valley
24 Property Owners Association?

1 MR. ST. CYR: The Company has no
2 objections.

3 CHAIRMAN GETZ: Okay. Then, we'll grant
4 that intervention as well.

5 Okay. Any other items we need to
6 address, well, before, at the end, I'll give the
7 Applicant, Mr. St. Cyr, on behalf of the Company, an
8 opportunity to respond to anything he's heard so far, and
9 that will be the end of the prehearing conference. But,
10 sir?

11 MR. THOMAS: Yes. Jarred Thomas again,
12 from Balmoral. Just to have it on record, and so the
13 other residents know, I believe it was the coliform
14 bacteria, I don't think I mentioned that earlier. It's
15 the coliform bacteria in the water that they found, that
16 we never had any resolution to.

17 CHAIRMAN GETZ: Okay.

18 MR. THOMAS: Thanks.

19 CHAIRMAN GETZ: Thank you. Then, Mr.
20 St. Cyr, do you have anything else in closing?

21 MR. ST. CYR: The Company has nothing
22 else to add.

23 CHAIRMAN GETZ: Okay. All right. Then,
24 with that, we will chose this prehearing conference.

1 Then, there will be a technical session. And, we'll wait
2 for a recommendation as to how to conduct the remainder of
3 this case. Thank you, everyone.

4 **(Whereupon the prehearing conference**
5 **ended at 11:13 a.m. and a technical**
6 **session was held thereafter.)**

7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24