

THE STATE OF NEW HAMPSHIRE



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June 24, 2008

Debra A. Howland
Executive Director
N.H. Public Utilities Commission
21 S. Fruit Street, Suite 10
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Re: DW 07-105 Lakes Region Water Company, Inc.
Report of June 24, 2008 Monitoring Technical Session



Dear Ms. Howland:

In accordance with the Settlement Agreement presented to the Commission at the May 8, 2008 hearing, Staff and the parties held a technical session on Tuesday, June 24, 2008, to monitor progress on various issues as follows:

1. Paradise Shores - Suissevale Water Supply

POASI (Property Owners at Suissevale, Inc.) expressed concern that its development would have water supply problems for this coming July 4th holiday week. POASI has experienced water supply shortages for the past three years. This year, Lakes Region believes it will provide adequate supply to Suissevale. Specifically, Lakes Region is on track to fill, disinfect, and drain the new storage tank by this coming Saturday, June 28, 2008. On Sunday and continuing for the next 2 to 3 days, Lakes Region will fill the tank with potable water. Lakes Region is in close contact with the Department of Environmental Services (DES) this week and next week. DES assured POASI that it is working with Lakes Region to make sure the development does not encounter water supply problems this year. Lakes Region, in conjunction with DES, will issue a ban on discretionary water use. DES wants the ban to stay in effect through July 4th weekend, and then it will reassess the need for the ban. POASI stands ready to alert its residents as soon as Lakes Region issues the ban. Lakes Region believes there will be sufficient water in the new storage tank for Suissevale but DES stated the company can use its own emergency ('Mount Roberts') well under conditions prescribed by DES. A pre-existing well ('Green well') is also in service but requires full approval under a Letter of Deficiency update issued by DES on May 23, 2008. DES-Lakes Region-POASI will be in contact with each other as the tank comes online and the summer vacation use starts.

2. Hidden Valley

Page 15 of the Settlement Agreement contained a construction schedule wherein Lakes Region proposed certain upgrades to the Hidden Valley system. DES reports that progress is occurring on these projects, however, dates of completion have been missed and Lakes Region needs to set new dates. Hidden Valley property owners will have a meeting on Saturday, June 28, 2008 and it would like an updated construction schedule in time to present at that meeting. Lakes Region agreed to provide a draft update of the construction schedule but DES noted that it must still review and approve the schedule before the schedule can be considered final. Lakes Region will distribute the draft construction plan to the service list. Lakes Region expects to conduct a pump test after July 4th on the recently deepened well as well as the so-called Blue well. It still needs to hear back from neighbors on whether Lakes Region can monitor adjacent wells. The company hasn't heard from these neighbors and thus it has not set a firm pump test date. Lakes Region hopes to have all three portions of the Hidden Valley system automated and working in an integrated manner within the next couple of weeks. Presently, Lakes Region operates the portions manually. The recent well deepening project was successful. Output went from 5 gpm to 18-2020 gpm. As with Suissevale, Lakes Region will institute a ban on discretionary water use at Hidden Valley. The company hopes to provide additional storage to the system by fall. As to the issue of Lakes Region wanting customers at Hidden Valley to replace deficient service lines, Lakes Region and Staff agree that there are other problems that need to be addressed before customers are forced to upgrade deficient service lines. Lakes Region noted that when a service line or valve leaks, it can drain the entire system before Lakes Region can locate the leak. The mains are largely not the source of leaks in Hidden Valley.

3. Work Progress on Other Systems

4. Staff Issues

Lakes Region has not had a chance to have official, sit-down bi-weekly meetings as envisioned in the settlement agreement. Instead, Tom Mason, Jr., Tom Mason, Sr, Barbara Mason, Norm Roberge, and Lakes Region's office manager, Taryn Zambouras, have been communicating by way of impromptu meetings. Lakes Region understands that the Settlement Agreement requires written summaries of these meetings and will try to meet this requirement after the Paradise Shores – Suissevale storage tank is on line.

Lakes Region believes it has sufficient licensed operators: Tom Mason, Jr., Justin Benes, and Michael Colarusso. Lakes Region has four other employees that it considers equally as capable as the licensed operators.

Lakes Region has not yet restructured Norm Roberge's time since Lakes Region and Norm Roberge have been busy addressing present obligations. Lakes Region hopes to have Mr. Roberge's time officially restructured by the end of July.

Lakes Region will have its affiliate agreement between itself and LRW Water Service, Inc. filed with the Commission by July 15, 2008, according to the Settlement Agreement.

5. Corrosion Control

Lakes Region will submit to DES a list of all systems that are supposed to have corrosion control and confirm that those systems are on line and functioning. Presently, DES only has documentation that one system is on line.

6. One Call Now System

Lakes Region has encountered a problem downloading its system information into a format that can be put into the one-call-now system. Lakes Region will work toward resolving this problem.

7. Tamworth

Lakes Region is reluctant to meter this system due to its unique construction. It is in the process of addressing the need for an additional source of supply.

8. Metering

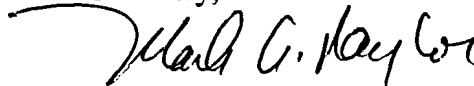
Lakes Region and Staff agree that Lakes Region has many capital projects presently underway and that it cannot reasonably commit to installing meters in its remaining un-metered systems in 2008. Staff supports Lakes Region's current exemption from N.H. Code Admin. R. Puc 603.03 until Lakes Region has the financial capability to purchase and install the meters. Staff also noted that metered service will necessitate consideration of Lakes Region's rate design. Since many of the un-metered systems are seasonal, Lakes Region noted that much of the cost is fixed, not variable. Thus, Lakes Region did not believe there would be much of a difference in customer rates between a flat rate and metered rate.

9. SRF Funding and Interconnection Grant

Lakes Region filed its pre-application with DES in May and will file its full application with DES by July 11, 2008. Lakes Region is applying for funding for a new well at Tamworth or in the alternative, a new treatment system at Tamworth. It also hopes to fund the Gunstock Glen and Brake Hill interconnection with an interconnection grant.

This is the extent of the issues discussed at the technical session. If you have any questions or comments, please feel free to reach me at (603) 271-6019.

Sincerely,



Mark A. Naylor, Director
Gas & Water Division

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