

DW 07-105

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November 21, 2007

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

Re: Lakes Region Water Company, Inc.

Dear Ms. Howland:

This letter is written in response to the letter dated September 19, 2007 from Public Utility Commission (PUC) Staff to the Commission. In its letter, Staff has stated that it has experienced an increase in customer calls regarding service of Lakes Region Water Company. In particular, Staff stated that it had received numerous calls and emails from customers in the Hidden Valley system in Tuftonboro and Wolfboro regarding frequent water outages. Staff stated that it is aware that Lakes Region Water Company has engaged the services of Lewis Engineering, PLLC to evaluate the Hidden Valley system and make recommendations regarding the letter of deficiency that was sent to Lakes Region Water Company by the New Hampshire Department of Environmental Services (DES). As of the date of the Staff's letter, recommendations had not yet been received from Lewis Engineering regarding the development of a final plan relative to the availability of water at the Hidden Valley system. Lewis Engineering has been retained by Lakes Region Water Company for assistance in complying with an administrative order of DES. A report submitted by Lewis Engineering on November 15, 2007 is intended to prove that a final plan relative to the availability of water at Hidden Valley can be addressed. Lakes Region Water Company, with the assistance of Lewis Engineering, is continuing to meet with Staff at DES so that the deficiencies in the administrative order can be corrected. Lakes Region Water Company, with the assistance of Lewis Engineering, is well on its way to addressing the issues raised in that administrative order. See report attached.



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Staff also stated that Lakes Region Water Company requested that the Commission order Hidden Valley customers to replace their customer service lines because those lines are of substandard materials and are the source of numerous leaks and therefore system outages. The Commission assigned document number DW-07-078 to that request and data requests were submitted to Lakes Region Water Company. Staff asserts that the data requests have not been responded to by Lakes Region Water Company. It is our understanding that of this date, all data requests have been responded to and DW-07-078 is moving forward.

In addition to the report submitted by Lewis Engineering which addresses the concerns regarding Hidden Valley water system, attached to this letter is a schedule of additions to plant for Hidden Valley for the years 2000-2006. In total, the Company has spent approximately \$175,000 including approximately \$87,000 in its pursuit of additional sources of supply. In addition to the attached schedule of additions planned to Hidden Valley, also attached are excerpts from the testimony of Steven St. Cyr in DW-05-137 regarding the Company's purchase of water amounting to \$27,400 for Hidden Valley in 2004 and 2005. Also, attached are PUC orders which indicate the Commission's determination regarding the Company's managerial, financial and technical ability to own and operate water systems. As the Commission knows, Lakes Region Water Company was asked to purchase and take over several distressed water systems over the years at the request of the Commission, and has done so. It is our belief that the Company taking over of this system, although placing a burden on Lakes Region Water Company as a whole, has improved the delivery of water to the customers of those systems and demonstrates the Company's managerial, financial and technical ability to own and operate water systems.

Staff also states that a more recent event needs Staff to request the opening of a proceeding. Specifically, Staff is concerned with a deficiency that was issued by DES on September 11, 2007 for conditions at the Tamworth Water Works System which is owned and operated by Lakes Region Water Company. All of the issues raised in that letter of deficiency have been addressed by deadlines which were set by DES or are presently being addressed because the deadlines have not yet been met. Moreover, none of the issues raised in that letter of deficiency rose to the level of an emergency. Although Staff may be justifiably concerned about the contamination that occurred in the Tamworth site in August 2007, those issues have been addressed.

Lakes Region Water Company strongly believes that the unfortunate situation that occurred on August 20, 2007 which briefly contaminated water in the Tamworth system does not warrant the opening of a proceeding. The issues were quickly addressed, and like other water companies, Lakes Region Water Company works with DES to ensure that these incidents do not occur in the future. As pointed out by Staff in its September 19, 2007 letter, Lakes Region Water Company operates seventeen (17) systems in the State of New Hampshire. As a result of the sanitary order issued by DES on the Tamworth system, DES Staff indicated that it was conducting limited sanitary surveys owned and operated by Lakes Region Water Company.

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Lakes Region Water Company is not aware of any other incident that occurred as a result of these limited sanitary surveys conducted by DES. This is further evidence that the incident which occurred at the Tamworth site in August 2007 was an isolated incident and is not systemic within the Lakes Region Water Company system.

Finally, Staff indicated that it was their belief that Lakes Region Water Company may no longer have the financial capability to operate water utilities. Staff concerns are unfounded. The ownership (Tom and Barbara Mason) of the Company has historically put in its own money to fund numerous replacements and/or improvements to plant. The ownership continues to do so today. The Company has used the ownership's fund as a short term line of credit. Subsequently, when the amount that the Company owes the ownership reaches a certain level, the Company finances the amount and repays the ownership. While cash is tight, it is tight because of the Company's investment in plant. The Company needs to get these investments in rate base and reflected in rates.

The Commission should be aware that Lakes Region Water Company is currently in the process of formulating a further petition for a rate case concerning the investments it has made and various plant and infrastructure over the last several years. Lakes Region Water Company suggests that the rate case be consolidated with a docket that has already been open by the Commission, that is, DW-07-078.

Lakes Region Water Company and its representatives look forward to meeting with Staff at the pre-hearing which is scheduled on November 27, 2007. However, Lakes Region Water Company strongly believes that the Commission need not open a docket to determine whether Lakes Region Water Company has the managerial and financial capability to provide safe and adequate service to its customers and to determine whether receivership under RSA 374:47-a is warranted.

Very truly yours,

Daniel J. Mullen
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DJM/dl

Enclosures

cc: Lakes Region Water Company
368004