

Lewis Engineering, PLLC
44 Stark Lane
Litchfield, NH 03052
lewis.h2o@att.net

E-mail Correspondence

November 15, 2007

Mr. Alan Leach
New Hampshire Department of Environmental Services
Monitoring and Enforcement Section
Drinking Water and Groundwater Bureau
29 Hazen Drive, P.O. Box 95
Concord, New Hampshire 03302

**Re: Hidden Valley Community Water System (CWS), Tuftonboro, NH -
EPA # 2372020 Administrative Order WD 07-029 – Oct. 4, 2007**

Dear Alan:

Please allow the balance of this correspondence to act as the response of the Lakes Region Water Company, Inc. (LRWC) relative to the above referenced Administrative Order (AO). The order relates to ongoing water supply issues at the Hidden Valley CWS. Lewis Engineering, PLLC has been retained by LRWC to assist in this matter.

As you know, during the past several months LRWC has been working toward trying to identify and initiate improvements to water supply within this water system. Much of the work has followed the NHDES Letter of Deficiency (LOD) on this CWS. We have previously provided updates to your office following our being retained in April of this year. Our responses to the LOD were dated May, June, July and September.

The report is intended to address the items within the AO that will assist all parties in developing a final plan relative to the availability of water at Hidden Valley. Present and projected needs will be addressed along with a plan to be able to meet these needs. Following a review of this report by NHDES, a meeting will be scheduled with staff to

review this report, to discuss options to correct deficiencies, and outline an implementation plan with attainable milestones to correct the deficiencies. Following this meeting, a final implementation plan will be developed and submitted to NHDES for review and approval. This plan will include the agreed upon plans and specifications for work to be undertaken. This document will be stamped by our office. Once this final plan with specifications, and schedule for same, has been approved by NHDES, it will be considered a part of the AO and will be deemed enforceable.

System Overview

Lakes Region Water Company (LRWC) of Moultonboro, NH owns and operates the Hidden Valley Community Water System (CWS), EPA #2372020. This system is located generally east of Lower Beech Pond in Tuftonboro, NH. It is regulated by NHDES with water rates being set by the New Hampshire Public Utilities Commission (NHPUC).

There are currently 116 customers served by the water system. The system, due to elevation differences, has been primarily operated at two systems, known as Hidden Valley (Upper - 88 customers) and Hidden Valley Shores (Lower - 28 customers). This CWS is a seasonal community, with 11+/- homes per year requesting water be shut off for the winter, and turned back on in the spring. A number of other homes have very limited use during the non-summer months, but may not request that their water service be shut off for the winter months. There is a 2-inch valve in the distribution system that may be operated, when needed, to allow the two systems to work as one system. A review of the general association mapping shows that there are approximately 31+/- vacant lots. It is not known how many of these lots are owned by adjacent homeowners, or whether the vacant lots are actually buildable, i.e. meeting all current conditions necessary to be able to obtain a building permit. We believe that there may be 20+/- vacant lots remaining where a residential home could be built in the future. The fully built-out water system would therefore serve 136 customers.

There are currently a total of 7 wells within the overall system that have some amount of water available. Presently, 4 of the 7 wells are being scheduled for a short duration flow test to better assess actual water supply capacity; Wells No. 3 and No. 4 in the upper system, and Wells No. 1 and No. 2 in the Hidden Valley Shores system. Wells No.1, No. 2 and No. 5 in the Upper system are rated at 5 gpm, 1.5 gpm, and 10 gpm respectively, based on current 24-hour actual run time testing.

The Upper System has a below ground pump house with two atmospheric water storage tanks reported at 12,000 gallons each. There is an emergency fill connection for the tanks. There is one pressure tank reported at 4,800 gallons with an air compressor. There are a number of well meters, two booster pumps and one station discharge water meter. Electrical control components are wall mounted. Photos of the Upper Pump House are included within the Exhibits. The Lower (Shores) System has two well pumps and a 1,000+/- gallon capacity pressure storage tank with air compressor.

Wells No. 1, No. 2 and No. 3 (Blue, Orange, Red) are located at the Upper System's pump house. Wells No. 4 and No. 5 (Purple & 5) are located remote from the Upper pump house. The Lower (Shores) System has two wells, one inside the station and the second outside the station. It is noted that there are existing issues with the Shores System wells and protective radius, although there have been no reported bacteria issues.

A schematic plan is included as an Exhibit that identifies wells that are intended to be used by the system. There are also two wells (Yellow and Black) that are not considered for use as these are reported as being dry, but are available as monitoring wells. Future wells sites are also shown.

It is reported that the water distribution system consists of 3-inch PVC and 2-inch PE piping. The Lower (Shores) System is reported to have 2-inch and 1-inch polyethylene water mains. Individual water services are ¾" polyethylene with nylon fittings. Many of the services beyond the curb box, i.e. customer's pipe, have been found to be leaking due

to the use of substandard materials prior to the system being acquired by LRWC. A schematic of the existing water distribution system is included as an Exhibit. The schematic includes a note on new water main installed this year and a proposed pressure reducing valve (PRV) to be installed.

Water Supply Wells and Proposed Wells

The following table provides information for the existing wells located within the overall water system, including provision for a couple of new bedrock wells:

Well #	Well ID (Color)	GPM	Test Status	Comments
1	Blue	5	24 hr. run	Currently Used Upper PH
2	Orange	1.5	24 hr. run	Limited Water Upper PH
3	Red		To be Tested	May be used
4	Purple		To be Tested	May be used
5	#5	10	Run on psi Demand	Avail. to use with VFD Pressure System
1	Inside Shores PS		To be Tested	
2	Outside Shores PS		To be Tested	
	Yellow	0	-	Monitoring Well for Upper Pump House
	Black	0	-	Monitoring Well for Upper Pump House
	<i>Future</i>			Near Well #5
	<i>Future</i>			Other

Normal system operation currently has Wells No. 1 and No. 2 available for use at the Upper pump house. The wells START and STOP based on level controls inside the atmospheric storage tanks. Pressure switches START and STOP the booster pumps based on pressure in the distribution system. Work to be completed includes; Hydro-fracturing Well No. 3 with testing to determine if any additional water may be relied upon from this well.

Wells No. 4 and No. 5 are located remotely from the Upper pump house. Well No. 4 has to be pump tested to assess the amount of water available from this source. Well No. 5 is rated at 10 gpm. During the past 60 days, LRWC installed a pressure recording chart at the system connection point for this well. Pressure data was accumulated and reviewed. To improve system pressures, a VFD based well pump control system was installed with a master meter for Well No. 5. This well is connected to the system with a 1-1/2-inch P.E. well pipe and is being run to meet the pressure needs within the Upper distribution system. The well runs only fast enough to contribute a predetermined quantity of flow into the water system. If it is determined that Well No. 4 can supply a reasonable amount of water, then it will also be set up with a system similar to Well No. 5.

HydroSource Associates, Inc. (Mr. Fred Bickford) of Ashland, NH, has been retained by LRWC to assist with the location of other potential well sites within this CWS's general geographic area. An acknowledgement from HydroSource Associates is attached. The selection of well sites is challenging given the history of generally poor well performance in the area, coupled with the density of housing units, and the lack of common area available, as it applies to protective radii. Once HydroSource has identified and staked potential well sites, LRWC intends to have Mr. Stephen Roy from NHDES visit and evaluate the prospective well sites.

The Lower (Shores) System has two existing wells at the Shores Pump House. This is reported as a direct pressurization system utilizing the two wells, pressure switches, and existing pressure tank. These wells are being scheduled for short duration pump testing to assess their pumping capacity. One improvement to consider may be deepening Well No. 2, which is located outside the station. The intent would be to drill this well deeper, in hopes of intersecting additional fracture zones. The issue of minimal sanitary protective radii around these wells is an issue. Prior to considering the well deepening, an assessment of capacity, and a review by NHDES relative to the merit of attempting this approach has to be resolved.

Water System Demands

Customer meters are read by LRWC on a quarterly basis. All homes have meters. There are 88 service connections on the Upper System and 28 service connections on the

Lower (Shores) System. At the present time, the quantity of water being pumped from the existing wells is not considered reliable. Historically, well meters have slowed or stopped due to plugging. An evaluation has been conducted to determine the actual water sold to the 88 customers. The water usage evaluation ran from November 6, 2006 (1st day of quarterly billing cycle) through October 31, 2007 (last day of most recent quarterly billing cycle). It was noted that during any one quarter there are some number of customers who report no (zero) water consumption. This may be due to an unoccupied residence, no access to the home for an actual meter reading, or potentially a damaged water meter. LRWC has an ongoing replacement program. Old customer meters are replaced with new meters that have outside reading devices.

Our analysis totaled the amount of water sold during all quarters, and divided it by the number of customers where actual water use was recorded. This provided an average use of water in gallons per day (gpd). Calculated actual water usage varied between 59 and 68 gpd per customer. The average use was then multiplied by the 116 customers presently on the system. Based on the 116 customer total, the highest average day was calculated as 7,936 gpd. If 20 additional customers were added, this would reflect an anticipated water demand of 9,248 gpd at build-out. This number has been multiplied by 2.2 times to reflect a peak day (2.0), plus some provision for unaccounted for water (20%). This reflects a calculated peak day (PPV) of 20,346 gallons. Based on this analysis, the target for water supply at Hidden Valley should be 14+/- gpm from all of the well water supply sources.

Currently, until further testing, we have been able to account for approximately 18 gpm of source water capacity. One draw back is the fact that some of the well water supplies are only available into the system as direct pumping from the well. The amount of water currently available to the atmospheric storage tanks is about 8 gpm, or over a 24 hour period, 11,520 gallons.

The need to develop some additional well water capacity, especially in a manner that would allow the atmospheric tanks to be filled during low demand periods is very

important. The availability of functioning meters, and a water meter readings on a routine basis for all wells is also recommended.

The further development of Wells No. 4, No. 5 and potentially one additional well, and its VFD pressure maintaining system will supply the balance of the Upper System. The Shores System will be supplied by its existing pump house, with potentially Well No.2 (Outside Well) being deepened to seek some additional capacity.

Other Sources of Water Loss

A review of the NHPUC Form E-18, Water Outages, indicates that during the July-September Quarter, there were 4 outages reported. The primary reason reported by LRWC for the outages was that a number of house services have been found to be leaking i.e. customer piping located on private property between the curb stop shut off and the homes themselves. The service piping is small diameter polyethylene with older nylon fittings, which was found to be sub-standard. Although LRWC affected repairs, this is something that is the homeowner's responsibility. During July LRWC sent a letter to the NHPUC requesting that customers be required to replace their sub-standard service lines. As of this date LRWC has not received a response. There have also been a few water main breaks, which have been immediately repaired by LRWC. In addition LRWC reported that they have installed approximately 600 feet of new 2-inch HDPE water main and services in the Lower (Shores) portion of the system along Hidden Valley Road, north of Brown Road.

A leak detection program has been initiated. John Dawson of LRWC has been working with Derek Bennett of the NHDES on a formalized leak detection program. LRWC has prepared a Leak Detection Log, as well as a Leak Detection and Repair Plan for the Hidden Valley System. Copies are found with the Exhibits. Additional ongoing efforts to monitor the actual volume of water entering the water system versus water sold to the customers and to ascertain unaccounted for water will be an important aspect of the long term operation of this system. Locating and repairing leaks as they are found, shutting off customers at the curb if it is found that their service lines are leaking, continuing to replace old customer meters with new meters with outside readers, and

installation of reliable metering associated with all wells that will be used within the system, plus a master system meter near the distribution entry point in the upper pump house are all recommended.

Additional Water Pump House and Water Distribution System Improvements

The Upper pump house, beyond the need for reliable water metering, needs to have some general upgrading. This should include general piping and connection of booster pumps in a fashion that keeps them a minimum of 12-inches off the floor. The electrical controls and electrical wiring for the overall station should also be reviewed and replaced as needed.

At this time, LRWC is also proposing to install a pressure reducing valve vault (PRV) in the 3-inch water main located on Alberg Road. They also plan to keep the emergency connection valve (2") between the Upper and Lower sections in its normally closed position. The distribution system PRV valve and vault will allow the Upper Pump House to supply a portion of the highest elevations within the system.

This concludes our system evaluation report, primarily focusing on water availability, and water needs current and future, along with recommendations. After review, please contact our office with any questions or if additional information is required. Further distribution of this material is left to your discretion. We look forward to the opportunity to meet with NHDES staff to further refine this report and process.

Respectfully,
Lewis Engineering, PLLC

Bruce W. Lewis

Bruce. W. Lewis, P.E.

cc Tom Mason, Sr. and Tom Mason, Jr., LRWC

Exhibits

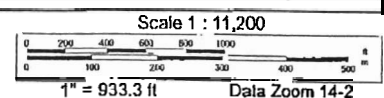
Lakes Region Water Service Co., Inc.
Hidden Valley CWS - EPA 2372020
Tuftonboro, NH
General Location Map
Lewis Engineering, PLLC - Litchfield, NH 03052
November 2007



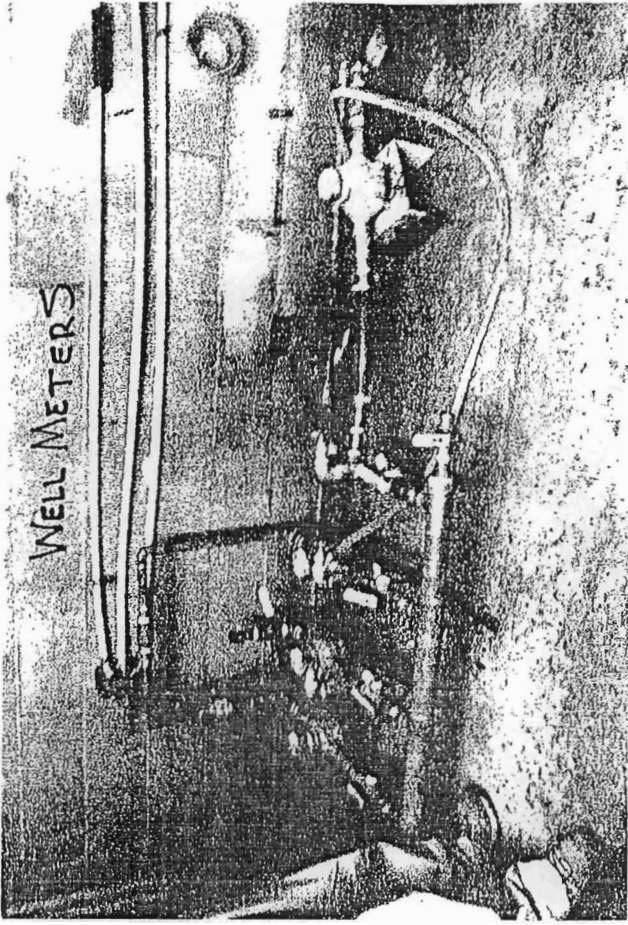
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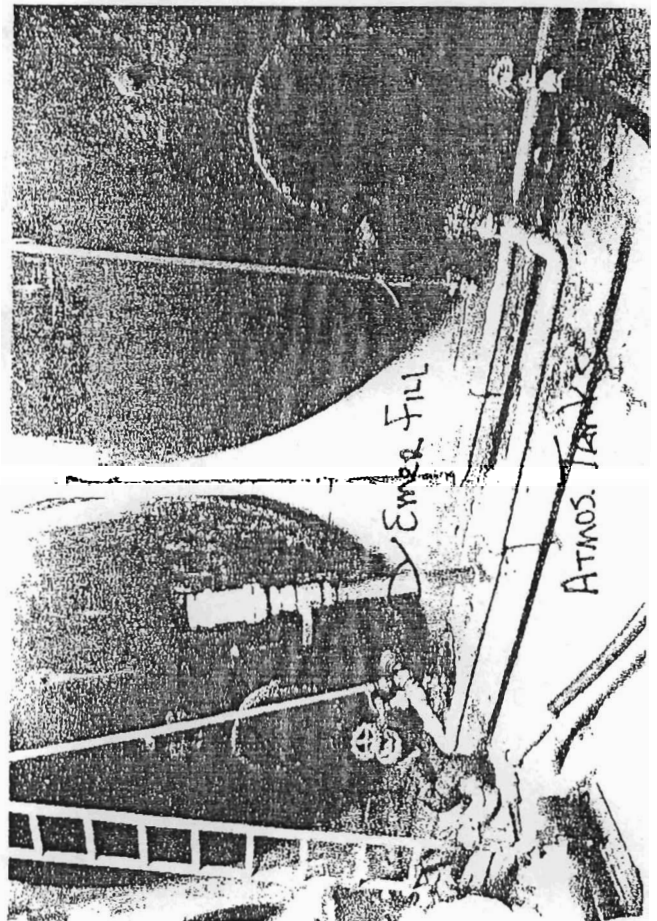
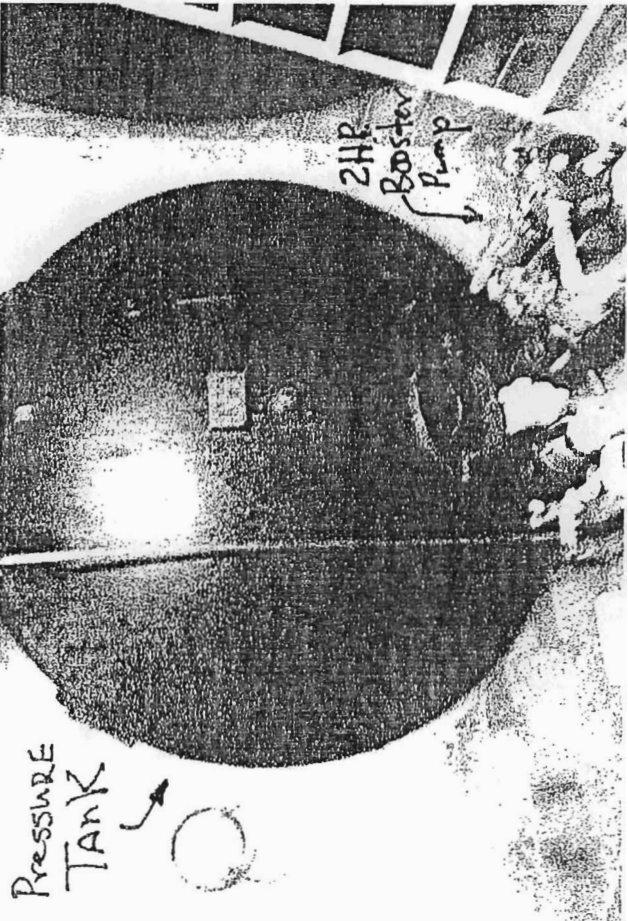
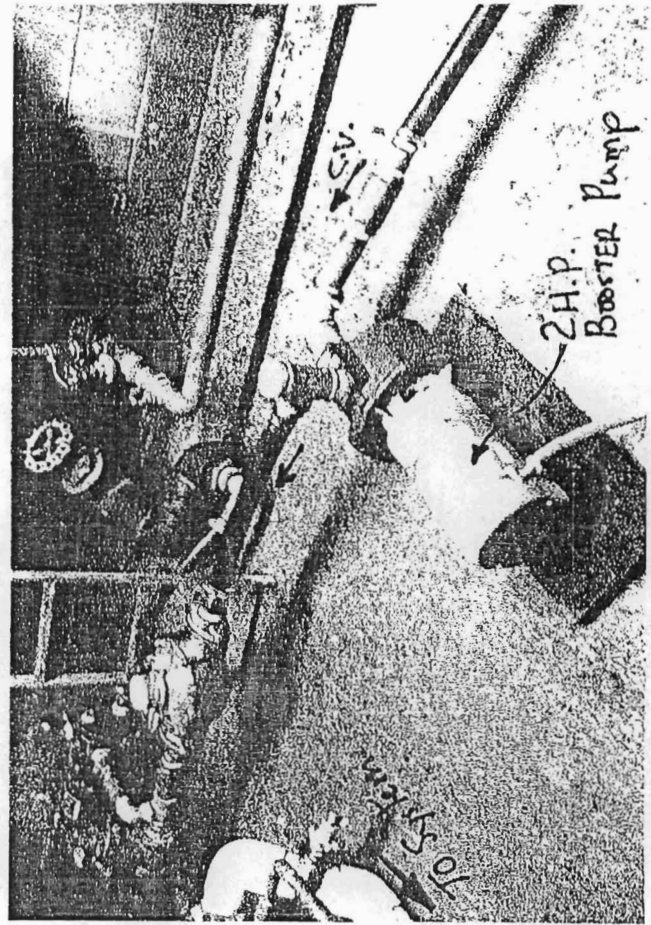
www.delorme.com



HIDDEN VALLEY CWS
Upper Pump House



Upper Pump House



Hydro Source



HydroSource Associates, Inc.

50 Winter Street • Ashland, NH 03217
telephone (603) 968-3733 • fax (603) 968-7605
e-mail: info@teamhydrosorce.com • website: www.teamhydrosorce.com

September 24, 2007

To Whom it May Concern:

This is to acknowledge that Lakes Region Water has verbally instructed HydroSource Associates to begin the process of exploring for and developing a new community well for the Hidden Valley water system in Tuftonboro. Specifically, we have been asked to conduct exploration activities on the ski slope property, which we understand was recently made available by the homeowners association for this purpose. If you have questions, please call me at 968-3733.

Sincerely,

Fred E. Bickford
Hydrogeologist

Lakes Region Water Co.

Hidden Valley Meter Reads

End of Cycle Read	No. of Days	No. of Customers Billed	No. of Customers with Zero Usage	No. of Customers with Actual Usage	Total Gallons Sold	Ave Usage Gal/day	Ave Gal/day/116 customers
1/24/2007	92	116	56	60	327,624	59	6,885
4/26/2007	91	116	57	59	367,268	68	7,936
7/27/2007	92	116	25	91	501,160	60	6,944
10/29/2007	94	116	25	91	551,276	64	7,476
Billing Cycle Period	Beginning of Cycle Read	End of Cycle Read					
11/1/06-1/31/07	10/25/2007	1/24/2007					
2/1/07-4/30/07	1/24/2007	4/26/2007					
5/1/07-7/31/07	4/26/2007	7/27/2007					
8/1/07-10/31/07	7/27/2007	10/29/2007					
# of Customers							
Hidden Valley Upper	88						
Hidden Valley Lower	28						

WATER USE ANALYSIS

Date From	Date To	Duration	System	Streets Affected	No of customers Affected	Cause of Interruption	Office Notes
7/2/2007	7/4/2007	2-3 days	Hidden Valley	890 Beach Pond Rd	had nothing nice to say about Tom Sr. & company, horrible svs, need to replace whole system. Has no water. Wants someone to check & doesn't want a svs call	Crew went out there for 2-3 days, leak in HIS house svs, rest of the system is fine. Put in a temporary water line for 30 days until he finds a contractor to fix line	
8/24/2007	8/24/2007	10:00am - 11:00am	Hidden Valley	lower sections	28	repair water main break in lower section; upper section should have water	TZ called most of the 28 customers in the am & sent an email to others.
9/4/2007	9/4/2007	9:45am - 10:30am	Hidden Valley	lower section: ethan allen rd & Hidden Valley Drive (1-30)	28	replace water main near 1st beach	TZ called 28 customers Thurs afternoon & sent an email notification; outage should only last for 1 hour except Tripps at 1 HV drive; will be all day intermittent
9/9/2007	9/10/2007	10:30pm - 11:00am or earlier?	Hidden Valley	all except ethan all rd & Hidden Valley drive (#1-30)	88	Had to reinstall pitless in purple well	

WATER OUTAGES
(NH PAC)

LRWC - NHPUC REQUEST

P. O. Box 389
420 Governor Wentworth Highway
Moultonborough, NH 03254
Telephone: 603-476-2348
Fax: 603-476-2721

LAKES REGION WATER COMPANY, INC.

July 10, 2007

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

Dear Madam,

Lakes Region Water Company Inc. would like to formally request the approval of the Commission to require the Hidden Valley community water system customers to replace their inadequate house service lines & pipe fittings.

At least fifteen years ago and prior to LRWC's acquisition of Hidden Valley, these house services were installed with sixty (60) psi nylon fittings. These fittings have become obsolete and are very rarely, if ever, used in the water industry. Brass fittings with at least 160 psi are the appropriate choice for a properly installed house service. In addition, the service lines were installed using 60 psi pipe and backfilled with materials unsuitable for a durable house service. Rocks, stumps and overgrown trees with roots encasing the water line have been found as backfill material within the house service trenches. Lakes Region Water Company Inc. normally uses a minimum of 160 psi pipe and backfills with materials consistent with American Water Works (AWWA) standards. Overall, these house services were set in place without using the proper installation techniques and products. These inadequate fittings, service pipe and choices of backfill are responsible for the 11 leaking house services that have been depleting the community water system's supply in the past couple of months.

During this time, LRWC has spent well over 100 hours of labor performing near daily leak detection surveys & system inspections. We have also, on several occasions, been forced to purchase outside sources of water to replace that which is continuously being drained from the system into the leaking service lines of customers. The NHDES is demanding the need for a higher water supply, but any efforts provided by our Company are disturbed by these frequent and unnecessary interruptions in service. Our time, money and efforts are being wasted on searching for & isolating these leaks, thus distracting the Company from dealing with more crucial objectives.

We therefore ask for the approval of the Commission to grant us permission to require the Hidden Valley residents to replace their house services with the appropriate products and installation methods compliant with AWWA standards. Otherwise, our Company may be forced to abandon this community water system.

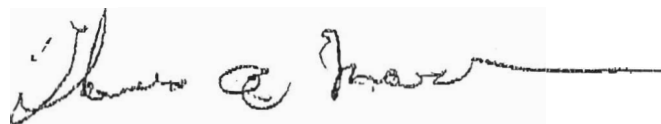
Email: lrwater@lakesregionwater.com
Website: lakesregionwater.com

July 11, 2007

Page 2

Thank you in advance for your attention to this matter. We look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas A. Mason Sr.", with a long horizontal flourish extending to the right.

Thomas A. Mason Sr.
President
Lakes Region Water Company Inc.

Leak Detection Daily Log

Lakes Region Water Company

Date: _____

System Name: _____

Leak Detection Member: _____

Acoustic Listening Device Model: _____

Area Surveyed and Distance: _____

Map Reference: _____

Street Name: _____

Leak #	Address	Agency or Customer	Leak Pinpointed	Leak to Be Rechecked	Repaired	Not a Leak (Date)

Indicate Number of
Listening Points Used:

Meters	Valves	Blow Offs	Other

Survey Time: _____

Suspected Leaks: _____

Need Rechecking: _____

Leaks Pinpointed: _____

Pinpointing Time: _____

Comments: _____

Leak Detection and Repair Plan For Hidden Valley Water System

A. Areas of Survey

1. See attached map for distribution system areas to be surveyed.
2. Total miles of main to be surveyed App.3.5
3. 1500 feet of water main will be surveyed per day
4. Survey contact points will include but not be limited to all service valves, all main valves and blow offs
5. Survey of main is to be completed in 15 non consecutive days

B. Procedures and Equipment

1. LRW Co. currently owns two acoustic listening devices: *Metrotech Models HL 4000 and HL49*
2. Currently researching for future purchase of correlator type equipment
2. Employees have completed NEWWA "Hands on Leak Detection Program"
3. Conduct acoustic leak detection
4. Collect, evaluate and document data

C. Leak Repair

1. All water main, valve or service connections owned by LRW Co. will be excavated in a timely and efficient manner while resolving any dry hole situations.
2. All leaking house services not belonging to LRW Co. will be the responsibility of homeowner.
3. Leak flow rate will be determined by size of hole and the measured pressure. AWWA leak formulas will be used to calculate loss.

D. Leak Survey and Repair Schedule

1. Survey start date will be June 30, 2007
2. Completion of leak detection survey September 30, 2007
1. Leak repairs to begin as needed
2. Leak repairs to be completed January 1, 2008

E. Staffing

1. John Dawson III NH license #2380
2. Assistance as necessary

F. Leak Detection Cost

1. Continuous evaluation

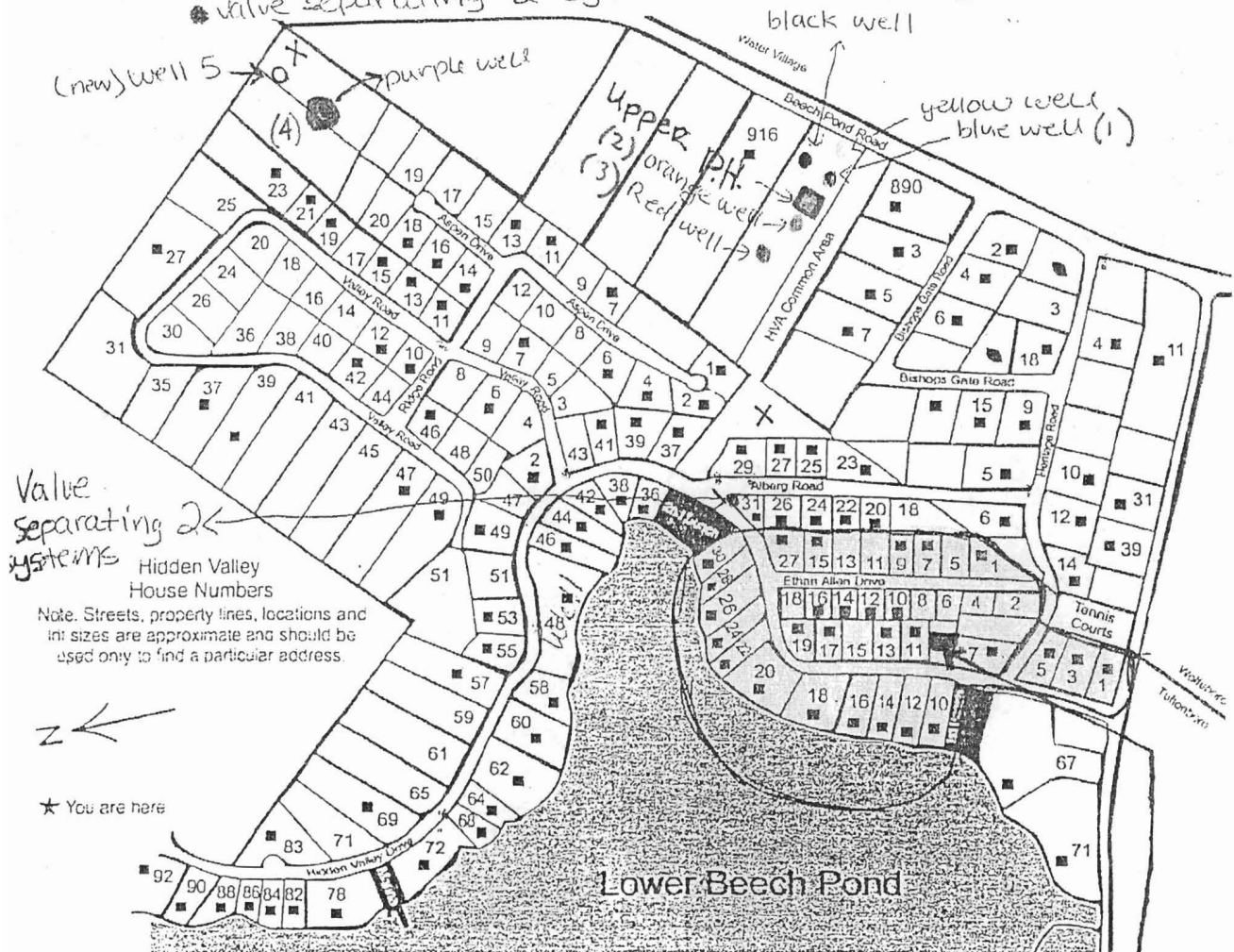
Date: _____

HIDDEN VALLEY (CWS)

TUFTON BORO. EPA 2372020
SCHEMATIC LAYOUT
NOV. 2007

- Well #5 (new well)
- purple well
- Red well
- yellow well
- blue well
- orange well
- black well
- upper pumphouse
- lower pumphouse

Hidden Valley Shores (lower) customers
● valve separating 2 systems on 31 Alberg Rd.



Value separating 2 systems

Hidden Valley House Numbers

Note: Streets, property lines, locations and lot sizes are approximate and should be used only to find a particular address.

★ You are here

NOVEMBER 2007

WELL I.D. #/s / Est. Cap.

H.V.
BLUE - 1 @ 5 gpm
ORANGE - 2 @ 1.5 gpm
RED - 3 @ gpm
Purple - 4 @ gpm
#5 - 5 @ 10 gpm

H.V. Shores

Inside #1 @ gpm
Outside #2 @ gpm

Proposed WELL

X - (Near Well #5)
X - (Near Lot 27)

Lower P.S. with 2 wells & 28 Customers

HIDDEN VALLEY (CWS)

TUSTON BORO - EPA 2372020

SCHEMATIC LAYOUT

NOV. 2007

○ Well #5 (new well)

● purple well

● Red well

● yellow well

● blue well

● orange well

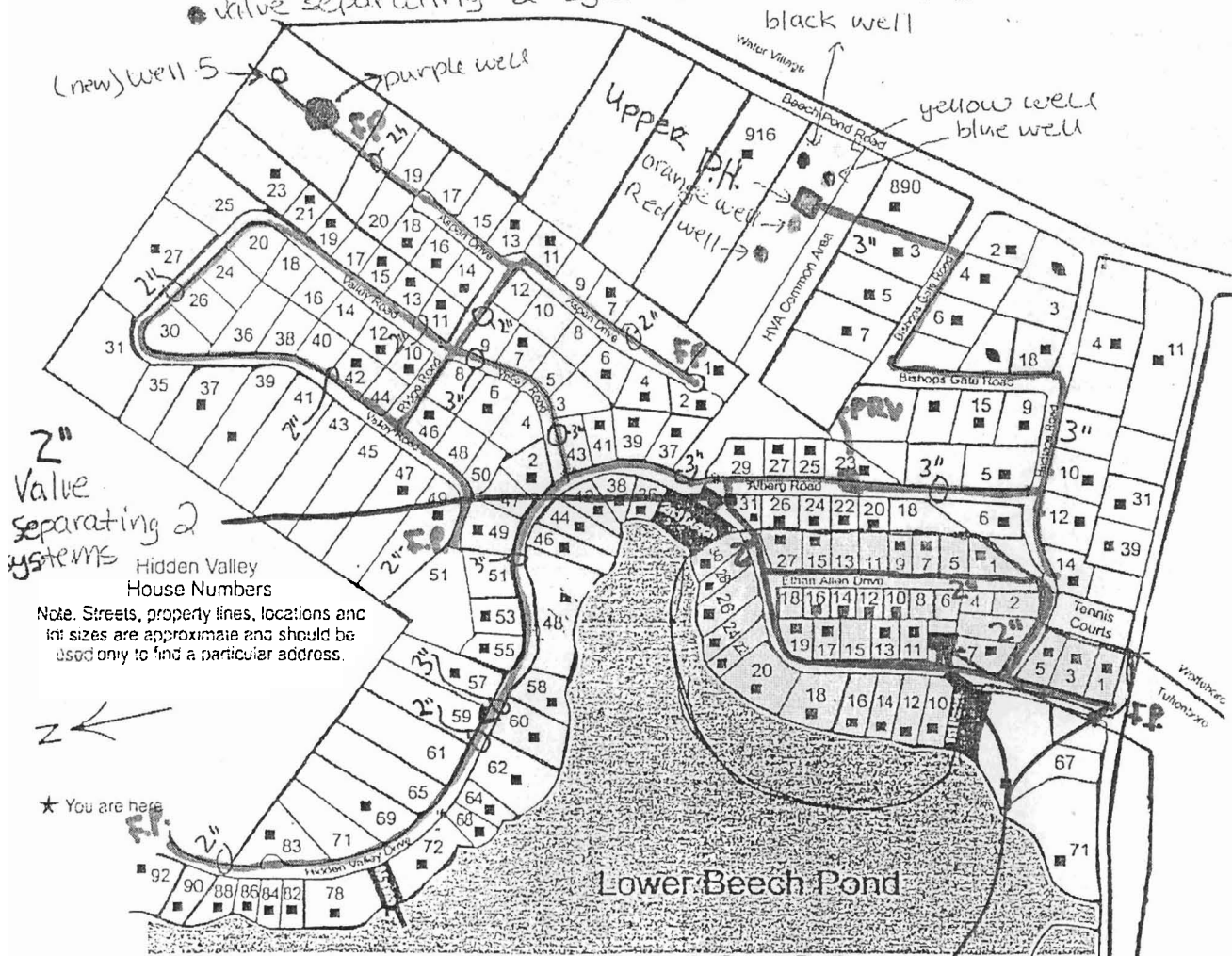
● black well

■ upper pumphouse

■ lower pumphouse

Hidden Valley Shores (lower) customers

● valve separating 2 systems on 31 Alberg Rd.



Note. Streets, property lines, locations and int. sizes are approximate and should be used only to find a particular address.

WATER Distribution

Upper — 3" & 2"

Lower — 2" / 1" Location Not Known of all Pipe

Proposed PRV in VAULT ■

FLUSHING POINT - F.P.

600'± - NEW 2007 2" + Service Lines

Lower P.S. with 2 wells & 28 Customers

Lakes Region Water Company - Hidden Valley Additions to Plant: 2006 - 2000		2006	2005	2004	2003	2002	2001	2000	Total
Line No.	Account Title (a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	INTANGIBLE PLANT								
2	301 Organization								
3	302 Franchise								
4	339 Other Plant and Misc. Equip.								
5	Total Intangible Plant								
6	SOURCE OF SUPPLY AND PUMPING PLANT								
7	303 Land and Land Rights							1,168	1,168
8	304 Structures and Improvements			388					
9	305 Collecting and Impounding Reservoirs								
10	306 Lake, River and Other Intakes								
11	307 Wells and Springs	6,782		308		7,496		10,960	25,546
12	308 Infiltration Galleries and Tunnels								
13	309 Supply Mains								
14	310 Power Generation Equipment								
15	311 Pumping Equipment	3,623	412	11,522	2,504	3,212	1,965	4,137	27,375
16	339 Other Plant and Miscellaneous						290		290
17	Total Supply and Pumping Plant	\$ 10,405	\$ 412	\$ 12,218	\$ 2,504	\$ 10,708	\$ 2,255	\$ 16,265	\$ 54,379
18	WATER TREATMENT PLANT								
19	303 Land and Land Rights								
20	304 Structures and Improvements								
21	320 Water Treatment Equipment								
22	339 Other Plant and Misc. Equip.								
23	Total Water Treatment Plant								
24	TRANSMISSION & DISTRIBUTION								
25	303 Land and Land Rights								
26	304 Structures and Improvements								
27	330 Distribution Reservoirs and Standpipes								
28	331 Transmission and Distribution Mains			642					642
29	333 Services					195	2,336		2,531
30	334 Meters and Meter Installations	279	450	870	3,127	2,949	567	2,593	10,835
31	335 Hydrants								
32	339 Other Plant and Misc. Equip.								
33	Total Transmission and Distribution	\$ 279	\$ 450	\$ 1,512	\$ 3,127	\$ 3,144	\$ 2,903	\$ 2,593	\$ 14,008
34	GENERAL PLANT								
35	303 Land and Land Rights								
36	304 Structures and Improvements								
37	340 Office Furniture and Equipment								
38	341 Transportation Equipment								
39	342 Stores Equipment								
40	343 Tools, Shop and Garage Equipment								
41	344 Laboratory Equipment								
42	345 Power Operated Equipment								
43	346 Communication Equipment								
44	347 Miscellaneous Equipment								
45	348 Other Tangible Equipment	(3)							
46	Total General Equipment	\$ (3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
47	Total (Accounts 101 and 106)	\$ 10,681	\$ 862	\$ 13,730	\$ 5,631	\$ 13,852	\$ 5,158	\$ 18,858	\$ 68,387
48	104 Utility Plant Purchased or Sold**			-		20,411	-	-	20,411
49	Total Utility Plant in Service	\$ 10,681	\$ 862	\$ 13,730	\$ 5,631	\$ 34,263	\$ 5,158	\$ 18,858	\$ 88,798
50	105 Construction Work in Progress		67,694	18,932					86,626
51	Total Utility Plant	\$ 10,681	\$ 68,556	\$ 32,662	\$ 5,631	\$ 34,263	\$ 5,158	\$ 18,858	\$ 175,424

Source: PUC Annual Reports

SPSL Cyr
10/11/2007

**DW 04-185 Petition for Authority to Issue Long-Term Debt
Order No. 24,401 dated November 19, 2004**

Commission Analysis:

“Our approval (of the purchase of LOV, Deer Cove and Indian Mound) and finding that Lakes Region possessed the requisite technical, managerial and financial capability to own and operate the water systems ...”

**DW 04-090 Indian Mound Petition to Purchase and Sell Certain Assets and
Transfer of Franchise Rights
Order No. 24,374**

Procedural History and Background:

“Lakes Region owns and operates a number of water systems in the state, and the Commission has found Lakes Region to possess the managerial, financial and technical capabilities to operate public utilities.”

Commission Analysis:

“In assessing whether Lakes Region possesses the managerial, technical, financial and legal expertise to acquire and operate the ... system ... we find Lakes Region possesses the requisite technical, managerial and financial capability to own and operate the ... water system.”

Also, “Based on the foregoing information, we find that Lakes Region possesses the requisite managerial, technical, financial expertise and legal ability to operate a water utility.”

**DW 04-031 LOV Water and Deer Cove Petition for Authority to Purchase and Sell
Certain Assets and Transfer of Franchise Rights
Order No, 24,376**

Commission Analysis:

“We therefore find that lakes Region possesses the requisite technical, managerial and financial capability to own and operate the ... water systems.” Also, “Based on the foregoing information, we find that Lakes Region possesses the requisite managerial, financial and technical expertise and legal ability to operate a water utility.”

SPSt. Cyr
10/23/07

Lakes Region Water Company
DW 05-137 Petition for Increase in Rates

Stephen P. St. Cyr testimony re: Hidden Valley – Purchased Water

The Company incurred significant purchased water expenses at Hidden Valley in 2004 due to ... The Company also incurred significant purchased water expenses at Hidden Valley in 2005. Rather than build such significant purchased water expenses in the permanent rate, the Company is proposing to eliminate such expenses from the permanent rate and instead recover the 2004 and 2005 purchased water as part of a surcharge. The specifics of the surcharge are explained later in my testimony. As such, the Company is proposing to decrease its Source of Supply expenses by \$16,000.

Earlier in your testimony, you indicated that you would further explain the proposed surcharge. Please explain.

As indicated earlier, the Company incurred significant water purchased expenses in 2004 and 2005. Rather than build such purchased water expenses into the permanent rate, the Company is proposing to eliminate the purchases water from the test expenses and recover such expenses over a one period via a surcharge on the customers' bill. The total 2004 (\$16,000) and 2005 (\$11,400) purchased water expenses amounted to \$27,400. Under the Company's proposal to include all customers in the consolidated rate, the proposed quarterly surcharge would amount to \$4.53 ($\$27,400 / 1,513 \text{ customers} / 4 \text{ quarters}$). The Company believes that recovery of the purchased water expenses over a one year period via a surcharge is fair and reasonable because it allows the Company to replenish its cash for use in more normal operations. The Company also believes that recovery of the purchased water expenses over a one year period via a surcharge is fair and reasonable because ... customers?

Stipulation Agreement schedules

The parties in the case agreed that there would be a net adjustment to rate base of \$10,667 ($\$16,000 - \$5,333$) and an annual amortization expense of \$5,333 for three years. The annual revenue requirement associated with the purchased water is \$6,211 [$(\$10,667 \times 8.23\% = \$878) + \$5,333$].