

THE STATE OF NEW HAMPSHIRE

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July 3, 2008

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

Re: Docket No. DW 07-105 Lakes Region Water Company, Inc.



Dear Ms. Howland:

This letter is to briefly articulate Staff's position with respect to the settlement agreement presented to the Commission at the May 8, 2008 hearing and deadlines the Office of the Consumer Advocate (OCA) states have been missed. The OCA filed a letter on June 26, 2008 elaborating on technical session discussions and criticizing Lakes Region Water Company, Inc. for missing deadlines in the settlement agreement. Staff notes that the OCA was not a signatory to that agreement.

With respect to the issue of deadlines, Staff notes that the company was obligated to file for a step increase by May 15, 2008 and it has done that. In the settlement agreement, the company listed upgrades it was performing by system. Within the Paradise Shores system, it stated a water storage tank would be in service by June 30, 2008. As OCA noted, the in-service date was reported to the Department of Environmental Services (DES) to be July 3, 2008. When entering the settlement agreement, Staff did not understand the construction time frames noted in Section D of the agreement to be absolute deadlines, as OCA is interpreting them. The goal of the Paradise Shores timeframe was to ensure Suissevale would not have a water shortage for the July 4th holiday week. It is Staff's understanding from conversations with DES that that goal has been met. Staff still recommends the Commission approve the settlement agreement and does not believe the Company's lateness by days in completing tasks listed in Section D is of a nature to warrant rejection of the settlement agreement. Staff does not condone the company missing deadlines but Staff is willing to allow the company reasonable leeway, as DES is allowing, in achieving the objectives of safe and adequate service to customers.

Staff reiterates that it considers this phase of DW 07-105 to be a monitoring phase of a company that is in a delicate financial balance. The settlement agreement offers a structured means of monitoring the company's progress on certain managerial, technical, and financial matters. Staff believes the meetings contemplated by the agreement between the company, Staff, DES, OCA, and interested customers is an appropriate way to exchange information on the company's progress on managerial, technical, and financial issues. Staff does not view these

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meetings, however, as the sole source of information since parties to this docket are free to contact DES directly concerning the company's compliance issues. In conclusion, Staff understands OCA's frustration with the company's communication and progress on certain projects but Staff believes the measures recommended in the settlement agreement are appropriate and address both concerns.

If you have any questions, please feel free to contact either Mark A. Naylor, Director of the Gas & Water Division or myself.

Sincerely,

A handwritten signature in cursive script that reads "Marcia A. B. Thunberg".

Marcia A. B. Thunberg
Staff Attorney

cc: Service List

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