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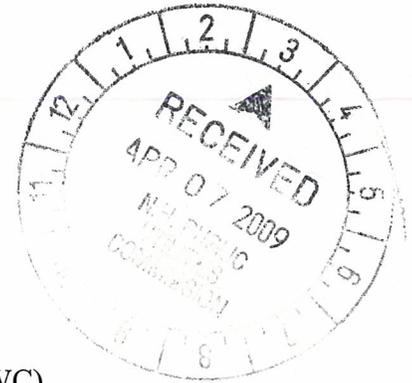
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April 7, 2009

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429



Re: DW 07-105 Lakes Region Water Company, Inc. (LRWC)
Report of March 31, 2009 Monitoring Technical Session

Dear Ms. Howland:

In accordance with Order No. 24,877, Staff and the parties held a technical session on March 31, 2009, to monitor progress on various issues as described below. Staff offers the following report of that meeting. Attendees to the meeting included LRWC, Staff, OCA, and DES.

American Recovery and Reinvestment Act (ARRA) of 2009

DES is administering the ARRA funds and their list of eligible projects is presently under public hearing and DES hopes to close the list on April 10, 2009. ARRA funds will be distributed through the existing SRF loan program and will apply to funded projects as follows: 50% of the SRF loan amount (principle) will be forgiven. The remaining funds will be subject to the SRF loan terms of 4.2% for a 20 year term.

DES stated that some of the projects at the top of the list may not be funded for a variety of reasons and that it is likely that DES will be able to fund projects farther down the list. Presently, it looks like the following LRWC projects will be funded:

- #18, Tamworth Water Works, \$46,000.00, install uranium treatment system
- #20, Gunstock Glen, \$750,000.00, main replacement 8,000 linear feet
- #44, Woodland Grove, \$145,000.00, upgrade pump station and storage tank
- #54, Echo Lake Woods, \$161,000.00, water main replacement 2,000 linear feet
- #55, 175 Estates, \$345,000.00, upgrade/replace water mains with 3-inch PVC

The dollar amounts provided were estimates to satisfy DES's need for a quick list of projects. LRWC will be finalizing these numbers soon now that it knows the projects have made the cut and will be funded.

Governor & Council approval of SRF funds has been hastened and it is expected that G&C consideration will occur within 30 days after PUC approval is received.

There is an American-made clause in the ARRA. There is also a green component. DES suggested that a solar panel on the pump house would qualify. LRWC will address these project details with DES.

Staff indicated that it will do its best to review the projects quickly and get recommendations to the Commission. Staff also indicated that the holding of a prehearing, technical session, and hearing on the merits will need to be truncated in order to meet DES's deadlines for the ARA funds. To facilitate the Commission's review, LRWC will have to provide as much detail as possible, such as public need for the project and to the extent practicable exact costs of the project in its initial filing for financing approval.

Other projects located lower on the DES list that may be eligible include:

- #75, LOV Water Co., \$50,000.00, pump station upgrade
- #131, Paradise Shores, \$710,000.00, install additional main to Suissevale
- #132, Paradise Shores, \$130,000.00, replace water main, Paradise Drive
- #162, Far Echo Harbor, \$215,000.00, upgrade well and pump house

These projects have contract signature deadlines of either June 1, 2009 and July 1, 2009, and thus, if funded, LRWC would be performing these projects this summer.

OCA, LRWC, and Staff discussed the uniqueness of the ARRA funds and OCA raised that during the last financing/step increase docket DW 08-070, it objected to providing a rate increase outside of a full rate case. It has not yet decided what position it will take in the ARRA financings that will be coming before the Commission.

DES will attempt to combine as many projects as possible into one SRF loan. One loan will simplify loan repayment so LRWC won't have to juggle repayment start dates and construction; loan repayments would instead start 6 months after the completion of all construction. If LRWC sought a step increase to its rates to cover principle and interest payments, it is likely that it would only need one step to cover all capital investment.

Hidden Valley

There are 4 remaining items on DES's administrative order and DES has issued a notice of violation. LRWC has responded and DES will be issuing a response soon which documents LRWC's response. LRWC is pleased with its new SCADA system, it records

water use and pressure which LRWC uses to assess whether there is any water loss. LRWC said the instrumentation is web based and that DES can view the data online: water level, pressure in system, graphed data, is cell phone based.

On March 17, 2009, DES requested a status update on lower shores well issue and is awaiting response from LRWC. LRWC provided an update at the meeting but will forward one by mail as well. DES inspected the pump stations 10 days ago and LRWC expects DES to issue a report.

Tamworth

No further update.

Operator's License

Tom Mason (Sr.)'s license has not yet been revoked but he is not actively using it.

LRWC added another licensed operator who has good qualifications. LRWC agreed to provide a list of operator qualifications to Staff and DES.

Management Meetings

Bi-Weekly management meetings are occurring infrequently since Tom and Barbara are having health issues. Tom Mason (Jr.) is running the company.

Ownership

Will be changing soon and LRWC will keep Staff and the parties informed.

One-Call Now

Went online on 1/14/09. LRWC has heard great feedback from customers. Customers like being able to get specific information concerning planned outages, etc.

Paradise Shores

LRWC has a deadline of January 31, 2009 to provide DES with a timeline for developing a large source of supply. DES will be taking LRWC's timeline and placing it into an existing LOD. DES intends to issue this revised LOD soon. LRWC will be requesting interim approval for the developed source. A pressure reducing valve has been installed for the customers near the beach.

LRWC received local zoning approval for variance for its Mt. Roberts well field (residential to business). DES stated that it believes well #TW2 might be able to be used, with waivers, if necessary.

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For March 31, 2009 Meeting

Gunstock Glen

Interconnection should be in use by end of April.

LOV/Freedom Village

Liberty Lane has periodic low pressure issues. LRWC evaluated and fixed some of the bottle necks and opened some valves that had been closed. LRWC acquired this system in September 2004. LRWC is re-drawing maps since the maps that came with the system were incomplete and inaccurate. LRWC has put pressure recorders on suspect houses and found nothing.

Next Meeting

Tuesday, June 30, 2009, 9 am, at the Commission.

This is the extent of the issues discussed at the technical monitoring session. If you have any questions or comments, please feel free to reach me at 271-5189.

Sincerely,



Marcia A. B. Thunberg
Staff Attorney/Hearings Examiner

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