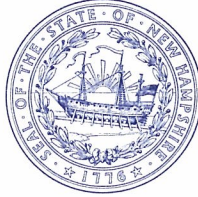


THE STATE OF NEW HAMPSHIRE

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January 22, 2010

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 January 20, 2010 Monitoring Technical Session



Dear Ms. Howland:

In accordance with Order No. 24,877, Staff and the parties held a technical session on January 20, 2010, to monitor progress on various issues as described below. Staff offers the following report of that meeting. Attendees to the meeting included Lakes Region Water Company, Inc. (LRWC), Staff, Office of the Consumer Advocate (OCA), Department of Environmental Services (DES), and Hidden Valley Homeowners Association.

2008 Annual Report

LRWC filed its 2008 Annual Report on June 30, 2009 and LRWC deemed it substantially complete at that time. Additional detail was missing and today, LRWC submitted the remaining necessary documentation to Staff. Although, LRWC is still missing schedules S1 through S10, it states those forms are not financial information and LRWC will file them when they are complete. LRWC offered no time deadline for this filing.

Tamworth

LRWC will be moving forward with the uranium filter system in the spring. This was an ARRA funding project but LRWC withdrew from the ARRA program. Metering is on hold.

LRWC reports that the class action lawsuit by customers was not certified and thus the case is on hold.

LRWC is paid up on all fees owed DES.

Paradise Shores

Regarding the Mount Roberts Well Field: LRWC applied for SRF funding. Filed an application with DES and are awaiting next step: DES moving LRWC on to the next sequence of

application – May 2010. LRWC has not yet selected an engineering/consulting firm for the project; that is on hold.

Roof membrane is on hold, it was never completed before winter. Landscaping is also not complete.

DES reports LRWC technically missed its first deadline for the Letter of Deficiency issued by DES but DES stated that now that LRWC is in SRF program, it will hold off on enforcement to see if LRWC can obtain funding to address the obligations of the LOD. If LRWC pulls out of SRF, then DES will pursue enforcement, i.e., an Administrative Order.

Indian Mound

The pump station is not complete. This will be winter project. LRWC reports that it has all the parts needed. System is on temporary system. Just waiting to do it.

White Mountain Resort/Gateway

LRWC is working on as-builts and has an extension from DES. Second well is connected and serves as a back up. This is an active well and permitted by DES.

Hidden Valley

Road repair is patched but in the spring LRWC will reopen it and re-patch it.

Gunstock Glen

Brake Hill pump station is up and running. LRWC brought pictures of the completed pump station. Interconnection is done and LRWC will be filing for step three in Docket No. DW 08-070 soon, after January 2010. There will be a rate impact since Gunstock Glen customers will be on consolidated rate after the assets are approved in step three.

Far Echo

LRWC conducted an MPA test to see if the water source was under the influence of the lake. Test results came back negative and thus LRWC is good to go. LRWC has a bedrock well providing supply. DES's comfort level with the system was improved by the MPA test but it still would like to use the water source as a sample research location in the feds study of Cyanobacteria. DES may be sampling this system along with others around the state to study the prevalence of the toxins produced by this bacteria. No DES enforcement action is in the future for this system.

Personnel

LRWC has changed accountants; Norm Roberge is no longer working for LRWC. LRWC is in the process of hiring an outside accounting firm that is familiar with utility accounting. LRWC expects to have this new hire completed in a day or so. LRWC did not think it worked out well having an accountant as an employee. LRWC would rather hire an outside firm.

Discussed if Tom Sr. is actually President of LRWC. If so, Staff expressed its concern. Staff questioned if officer changes had actually been made official through actions of LRWC's Board of Directors. LRWC indicated it would contact the company's lawyer on this. Staff's preference

is to have Tom Jr., not Tom Sr., in charge of LRWC. The Affiliate Agreement needs to be executed by a legitimate officer of the company and LRWC will be doing that and filing an updated Affiliate Agreement.

DES wants to know the owner and legal representative of LRWC. LRWC needs to fill out form with DES and LRWC will do that shortly.

Staff suggested that Board of Director minutes or a vote should document the change in officer titles.

Payment of Fine

LRWC worked out a payment plan and has been paying the fine in monthly installments out of utility funds.

Rate Case

LRWC still needs to finalize 2009 costs for assets LRWC seeks to add to rate base. Testimony is drafted and schedules are prepared but the numbers are not finalized. The 2008 test year will be adjusted for known and measurable changes. LRWC expects to meet the deadline provided in the latest Commission extension.

Continued Monitoring

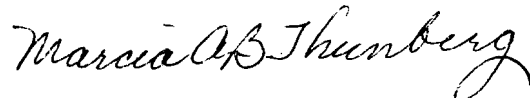
Staff and the parties discussed whether the monitoring meetings should continue into the summer. LRWC states it has responded to the Commission's concerns and has addressed problems with specific projects. The ability to raise capital had been a concern in the past. Staff recommended that this issue be addressed in depth in the next meeting and the parties agreed.

Next Meeting

Staff and the parties propose that the next quarterly meeting be held on Wednesday, April 14, 2010 at 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 or Mark A. Naylor, Director of the Gas & Water Division.

Sincerely,



Marcia A. B. Thunberg
Staff Attorney

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