

THE STATE OF NEW HAMPSHIRE

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March 10, 2009

Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, New Hampshire 03301-7319



Re: DW 08-070 Lakes Region Water Company Petition for Authority to Finance and to Increase Rates

Dear Ms. Howland:

On February 26, 2009 Lakes Region Water Company, Inc. (the Company) submitted to Staff its proposal for recovery of expenses incurred relative to docket DW 08-070.¹ Staff responded to the Company's proposal on March 4, 2009. The OCA hereby responds to the proposal, as modified by Staff.

The Company requested recovery of \$17,770.77. This amount represents 50% of the total amount expended by the Company on both the financing and step adjustment requests (\$35,541.53). In support of these costs, the Company submitted copies of invoices. To recover this amount, the Company proposed to assess a surcharge in the amount of \$11.02 per customer for one billing quarter. This surcharge amount was calculated based upon 1,612 LRWC customers as of December, 31, 2008.

Staff reviewed the Company's proposal and recommended that the Commission authorize recovery in the amount of \$17,967.64. Staff also recommended that this amount be collected over one billing quarter through a surcharge of \$11.15 per customer.

¹ Staff and the Company agreed in their settlement agreement in this docket "that rate case expenses will not include costs related to the financing portion of this docket, costs relating to the Staff's audit, or costs relating to routine bookkeeping or accounting associated with the assets that form the basis for rate recovery in this docket." Order No. 24, 925, December 30, 2008, p. 9.

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Without waiving its argument that the Company should not recover the expenses associated with its step adjustment,² the OCA recommends several additional adjustments to those proposed by Staff. These adjustments are illustrated in the attached spreadsheet (amended Schedule 1), which uses the Company's schedules as a starting point. Underlying each of the OCA's adjustments is the belief that the Company failed to sustain its burden of proving that the expenses for which it seeks recovery are specifically related to the step adjustment.

Specifically, for invoices with the References A-1, A-2, A-4, and A-5, we recommend total disallowance as there is insufficient detail to determine whether these expenses are relevant to DW 08-070. For the invoice with reference A-3 we propose allowance of only \$262.50 rather than \$708.75 proposed by the Company, again due to insufficient detail on the invoice. The OCA accepts Staff's adjustment for the invoice referenced as A-6 which adjusted upward the Company's proposal. For the invoice referenced as A-20, OCA recommends inclusion of only \$300.00 rather than the \$580.00 proposed by the Company because the other expenses were related to a prior docket. Finally, for the invoices referenced as A-29 and A-30, the OCA recommends allowances of only \$100.00 and \$480.00 respectively, rather than the full \$120.00 and \$520.00 proposed respectively by the Company for the same reason.

Accepting the Company's proposed application of a 50% multiplier to divide these total expenses related to DW 08-070 between "Financing" and "Step Increase" expenses, with only those attributable to "Step Increase" being eligible for collection per Order 24,925, the total amount of recovery recommended by the OCA is \$16,426.55. The attached Schedule 2 shows the calculation of the surcharge based upon the OCA's recommended total and the application of the 50% allocation factor. The OCA calculates the surcharge to be \$10.19 per customer based on the Company's reported 1,612 customers as of December 31, 2008, as opposed to the Company's request of \$11.02 per customer, and Staff's recommendation of \$11.15 per customer. The OCA accepts the Company's proposal and Staff's recommendation to recover this amount over one billing quarter.

In closing, the OCA continues to be extremely concerned about the Company's disregard for deadlines specified in Commission Orders.³ The OCA believes that LRWC continues to neglect its regulatory responsibilities. For example, Order No. 24,925 required the Company to file its request for recovery of "rate case" expenses by January 30, 2009. The Company, however, filed its proposal nearly a month later, on February 26, 2009. Also, Order 24,925 directed the Company to file a compliance tariff no later than January 9, 2009. The Company, however, filed its compliance tariff on January 20,

² At the final hearing the OCA questioned the terms of the Settlement between Staff and the Company regarding the authority under which "rate case expenses" should be recovered by the Company when this Docket was not a rate case. See transcript of hearing at page 96 lines 20-22. For example, the Company did not file a notice of intent to file rate schedules pursuant to NH Code of Administrative Rules Puc 1604.05 and RSA Ch. 378 in this docket.

³ The OCA raised this issue previously in docket DW 07-105, the ongoing monitoring docket of the Company's management capabilities. See OCA's letter of June 28, 2008 to the Commission in DW 07-105.

2009. At no time did the Company seek extensions of these deadlines or other relief from these filing requirements.

As a regulated utility, the Company is bound to abide by Commission orders, see RSA 365:40. In ruling on the Company's request for recovery of "rate case" expenses, the OCA urges the Commission to caution the Company and its officers about the consequences of further non-compliance with the terms its orders, as well as applicable statutes. We also respectfully request that the amount authorized for recovery is reduced as recommended by the OCA.

Thank you for your consideration. Please do not hesitate to contact me if you have any questions.

Respectfully,



Meredith A. Hatfield
Consumer Advocate

cc: Service List

Lakes Region Water Company
 DW 08-070 Financing and Step Increase Expenditures

Schedule 1

Date	Service Provider	Attachment Reference Lower Right	Total Invoice	Financing and Step Increase Expenditures	OCA Review of Invoices Allowance
6/30/2007	St. Cyr & Associates	A-1	\$ 642.19	\$ 642.19	\$0.00 NED
8/3/2007	St. Cyr & Associates	A-2	682.50	682.50	\$0.00 NED
9/7/2007	St. Cyr & Associates	A-3	708.75	708.75	\$262.50 NED
10/2/2007	St. Cyr & Associates	A-4	446.25	446.25	\$0.00
11/6/2007	St. Cyr & Associates	A-5	1,207.50	1,207.50	\$0.00
12/1/2007	St. Cyr & Associates	A-6	2,441.25	1,758.75	1,758.75 accept Staff adjustment
1/1/2008	St. Cyr & Associates	A-7	1,260.00	1,181.25	1,181.25
2/4/2008	St. Cyr & Associates	A-8	630.00	131.25	131.25
3/1/2008	St. Cyr & Associates	A-9	1,575.00	236.25	236.25
5/4/2008	St. Cyr & Associates	A-10	1,916.25	1,338.75	1,338.75
6/7/2008	St. Cyr & Associates	A-11	7,166.25	4,501.71	4,501.71
7/7/2008	St. Cyr & Associates	A-12	2,336.25	2,170.38	2,170.38
8/3/2008	St. Cyr & Associates	A-13	2,546.25	2,205.00	2,205.00
9/5/2008	St. Cyr & Associates	A-14	2,730.00	2,520.00	2,520.00
10/10/2008	St. Cyr & Associates	A-15	4,987.50	4,462.50	4,462.50
11/5/2008	St. Cyr & Associates	A-16	525.00	498.75	498.75
12/6/2008	St. Cyr & Associates	A-17	26.25	26.25	26.25
1/2/2009	St. Cyr & Associates	A-18	1,023.75	393.75	393.75
2/6/2009	St. Cyr & Associates	A-19	420.00	262.50	262.50
6/6/2008	Ransmeier & Spellman	A-20	3,629.23	580.00	\$300.00 only
7/8/2008	Ransmeier & Spellman	A-21	345.22	285.22	285.22
8/6/2008	Ransmeier & Spellman	A-22	960.00	120.00	120.00
10/7/2008	Ransmeier & Spellman	A-23	1,886.60	1,846.60	1,846.60
11/11/2008	Ransmeier & Spellman	A-24	2,180.00	2,180.00	2,180.00
12/8/2008	Ransmeier & Spellman	A-25	471.80	391.80	391.80
1/9/2009	Ransmeier & Spellman	A-26	340.00	40.00	40.00
2/1/2008	Norman Roberge, CPA	A-27	40.00	40.00	40.00
3/1/2008	Norman Roberge, CPA	A-28	20.00	20.00	20.00
5/1/2008	Norman Roberge, CPA	A-29	120.00	120.00	\$100.00 only
6/1/2008	Norman Roberge, CPA	A-30	520.00	520.00	\$480.00 only
7/1/2008	Norman Roberge, CPA	A-31	260.00	260.00	260.00
8/1/2008	Norman Roberge, CPA	A-32	1,160.00	1,160.00	1,160.00
9/1/2008	Norman Roberge, CPA	A-33	200.00	200.00	200.00
10/1/2008	Norman Roberge, CPA	A-34	1,040.00	1,040.00	1,040.00
11/1/2008	Norman Roberge, CPA	A-35	180.00	180.00	180.00
1/1/2009	Norman Roberge, CPA	A-36	80.00	80.00	80.00
6/5/2008	Union Leader	A-37	428.19	428.19	428.19
7/22/2008	S. Patnaude	A-38	354.50	354.50	354.50
10/31/2008	S. Patnaude	A-39	655.10	655.10	655.10
12/31/2008	LRWC office	A-40	<u>742.09</u>	<u>742.09</u>	<u>742.09</u>
Total			<u>\$48,883.67</u>	<u>\$ 36,617.78</u>	\$32,853.09

SPSt. Cyr
 2/24/2009

NED - Not Enough Detail to Determine Relevance to 08-070

Amended by SRE 3/5/09

Lakes Region Water Company
DW 08-070 Financing and Step Increase Expenditures

OCA version Schedule 2

Calculation of Rate Case Surcharge

Total Financing and Step Increase Expenditures - OCA allowed	\$32,853.09
Total Expenditures attributed to Financing - 50%	\$16,426.55
Total Expenditures attributed to Step Increase 50%	\$16,426.55
Total Step Increase expenses to be collected from ratepayers	\$16,426.55
Total Number of Customers at December 31, 2008	<u>1,612</u>
Total Expenditures attributed to Step Increase per Customer	<u>\$10.19</u>

SREckberg
3/4/2009