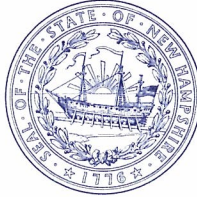


THE STATE OF NEW HAMPSHIRE

CHAIRMAN  
Thomas B. Getz

COMMISSIONERS  
Clifton C. Below  
Amy L. Ignatius

EXECUTIVE DIRECTOR  
AND SECRETARY  
Debra A. Howland



**PUBLIC UTILITIES COMMISSION**

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May 16, 2011

Ms. Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, New Hampshire 03301-2429



Re: DW 08-070 Lakes Region Water Company, Inc.  
Staff Recommendation Regarding Recovery of Rate Case Expenses  
for 3<sup>rd</sup> Step

Dear Ms. Howland:

On April 15, 2011, Lakes Region Water Company, Inc. (LRWC or the Company) submitted to Staff its proposal for recovery of rate case expenses incurred relative to approval of the third step increase in Docket No. DW 08-070. A copy of LRWC's cover letter and lead schedules are attached to this correspondence. The Company's submission was made in accordance with Commission Order No. 25,197 issued on February 18, 2011 which among other items, authorized LRWC to submit a proposal for rate case expense recovery.

In its submission, LRWC requested recovery of an amount of \$17,616.46 in rate case expenses. In support of these costs, LRWC submitted copies of the underlying invoices relative to its expenditures in this case. To recover this amount, the Company proposes to assess a one billing quarter surcharge in the amount of \$10.77 per customer. This surcharge was determined based upon 1,635 LRWC customers as of December 31, 2010.

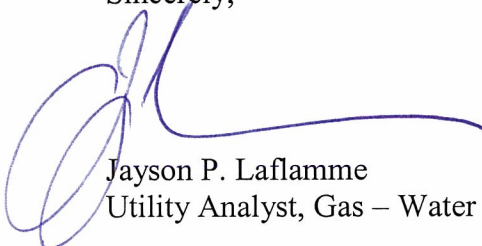
Staff has reviewed LRWC's submission including the copies of supporting invoices provided by the Company. Staff found no exceptions in the supporting documentation provided by LRWC and it recommends that the Commission approve the full amount proposed for rate case expense recovery of \$17,616.46 via a one billing quarter surcharge of \$10.77 per customer.

The Office of Consumer Advocate (OCA) indicated that it takes no position with regard to either the amount of the rate case expenses related to DW 08-070, or the

recovery of these expenses. However, with regard to the timing of the recovery of these costs, the OCA did express concern that the assessment of the surcharge in this case would coincide with the surcharge for recovery of temporary rates in DW 10-141 recently approved by Secretarial Letter on April 25, 2011. Specifically, OCA expressed concern that a combination of these two surcharges during one billing quarter might be onerous and burdensome for some customers. The temporary rate surcharges in DW 10-141 range between \$17.18 and \$38.85, but coupled with the proposed \$10.77 surcharge in this docket, customers could be assessed anywhere between \$27.95 and \$49.62 just in surcharges on a single bill. As an alternative, Staff proposes that the Rate Case Expense surcharges in this case should be assessed during the billing quarter subsequent to that in which the Temporary Rate surcharges in DW 10-141 are assessed. The OCA expressed its support of this billing alternative proposed by Staff. However, LRWC indicated that it does not agree with Staff's proposal but instead would be amenable to working out payment arrangements with individual customers who may find they are having trouble paying these surcharges in a timely manner.

In summation, Staff and LRWC request that the Commission approve recovery of rate case expenses totaling \$17,616.46 via a one billing quarter surcharge of \$10.77 per customer. In addition, Staff and the OCA propose that the assessment of such surcharges should take place during the billing quarter subsequent to the assessment of the Temporary Rate surcharge recently approved in DW 10-141. As a final matter, it is LRWC's desire to bill the proposed surcharges in this case during its upcoming billing cycle beginning on June 1. Therefore, the Company requests that the Commission issue its order concerning recovery of its rate case expenses in DW 08-070 prior to that date. If you have any questions with regard to this matter, please do not hesitate to contact me or any of the other Staff in the Gas & Water Division.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J. Laflamme', with a long horizontal flourish extending to the right.

Jayson P. Laflamme  
Utility Analyst, Gas – Water Division

Attachments: LRWC's April 15, 2011 Correspondence and Lead Schedules

cc: Service List

# **STEPHEN P. ST. CYR & ASSOC.**

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17 Sky Oaks Drive, Biddeford, ME 04005

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Budgeting & Forecasting  
Financial Statement Preparation  
Regulatory Affairs  
Tax Preparation & Planning  
Management Services

April 15, 2011

Mark Naylor, Director  
Gas and Water Division  
Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, N. H. 03301-2429

Re: Lakes Region Water Company  
DW 08-070 Step 3 Rate Case Expenditures and related Surcharge

Dear Mr. Naylor:

As part of the Stipulation Agreement – Step 3 in DW 08-070 the Staff (“Staff”) of the Public Utilities Commission (“PUC” or “Commission”) and Lakes Region Water Company (“LRWC”) recommended the Commission allow recovery of reasonable rate case expenses incurred by LRWC in this proceeding. Staff and LRWC agreed that such expenses should only be related to the request for approval of step 3. Further, Staff and LRWC agreed that, subsequent to the Commission’s order approving this agreement, LRWC will submit its request for recovery of rate case expenses to Staff, with supporting documentation, and that Staff review that documentation. It is the intent of Staff and LRWC to submit a joint recommendation to the Commission. The Commission, in its order (Order No. 25,197), dated February 18, 2011, approved the terms of the stipulation agreement.

The total Step 3 adjusted rate case expenditures were \$17,616.46 as shown on Schedule 2. The Company proposes to recover the amount over 1 quarter. The proposed surcharge is \$10.77 per customer based on 1,635 customers at December 31, 2010. See Schedule 1 for Calculation of Rate Case Surcharge.

In support of the total adjusted rate case expenditures and the surcharge, LRWC has provided a summary of its rate case expenditures (Sch. 2) and a calculation of the rate case surcharge (Sch 1). Also, LRWC has provided a copy of all the invoices and applicable hours/costs. For ease of review, LRWC has identified each invoice with a reference (in the upper right corner) that ties to the summary.

# **STEPHEN P. ST. CYR & ASSOC.**

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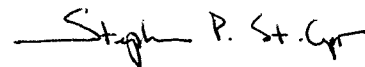
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With respect to the 1 quarter recovery period, LRWC believes that it is appropriate because (1) it is not a burdensome amount, (2) it would be collected during a low consumption period, and (3) it is within an acceptable range that Staff has generally recommended and the Commission has approved in other proceedings.

LRWC respectfully requests that the Staff review the summary of adjusted rate case expenditures, the calculation of the surcharge and the supporting documentation. LRWC looks forward to Staff's joint recommendation. LRWC anticipates being able to agree with Staff and joining Staff in the joint recommendation. LRWC would further appreciate the Commission review and approval of the joint recommendation and issuance of its order on the rate case expenditures and the related surcharge. Finally, LRWC plans to issue bills to customers on June 1, 2011 as per its normal billing schedule and hopes to incorporate the surcharge in the June 1, 2011 billings.

If you have any questions or comments, please call me at 207-282-5222 or email me at [stephenpstcyr@yahoo.com](mailto:stephenpstcyr@yahoo.com).

Sincerely,



Stephen P. St. Cyr

Cc: Norman Roberge  
Tom Mason,  
Donald Crandlemire

Lakes Region Water Company  
DW 08-070 Step 3 Rate Case Expenditures

Schedule 1

Calculation of Rate Case Surcharge

Total Step 3 Financing and Step Increase Expenditures	\$17,616.46
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Total Number of Customers at December 31, 2010	<u>1,635</u>
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Total Expenditures attributed to Step Increase per Customer	<u>\$10.77</u>
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SPSt. Cyr  
4/15/2011

Lakes Region Water Company DW 08-070 Step 3 Rate Case Expenditures					Schedule 2		
Date	Period	Service Provider	Reference	Total Invoice	Rate Case Expenditures	Audit Time Adjustments	Adjusted Rate Case Expenditures
12/03/10	Aug-10	Norman E. Roberge	1	\$4,120.00	\$520.00		520.00
12/17/10	Oct-10	Norman E. Roberge	2	6,240.00	1,460.00		1,460.00
12/31/10	Dec-10	Norman E. Roberge	3	8,560.00	480.00		480.00
		Total Roberge			\$2,460.00		\$2,460.00
02/01/10	Jan-10	St. Cyr & Associates	4	4,577.42	\$26.25		26.25
06/04/10	May-10	St. Cyr & Associates	5	2,769.88	1,207.50		1,207.50
07/06/10	Jun-10	St. Cyr & Associates	6	2,706.34	157.50	52.50	105.00
08/02/10	Jul-10	St. Cyr & Associates	7	5,930.57	813.75	341.25	472.50
09/04/10	Aug-10	St. Cyr & Associates	8	1,023.75	892.50	787.50	105.00
10/06/10	Sep-10	St. Cyr & Associates	9	2,998.78	826.88	708.75	118.13
11/06/10	Oct-10	St. Cyr & Associates	10	4,830.00	1,837.50		1,837.50
12/12/10	Nov-10	St. Cyr & Associates	11	5,643.75	2,480.62	26.25	2,454.37
01/07/11	Dec-10	St. Cyr & Associates	12	2,887.50	1,207.50		1,207.50
02/05/11	Jan-11	St. Cyr & Associates	13	5,338.75	157.50		157.50
03/07/11	Feb-11	St. Cyr & Associates	14	2,835.00	105.00		105.00
04/05/11	Mar-11	St. Cyr & Associates	21	2,467.50	630.00		630.00
04/15/11	Apr/May-11	St. Cyr & Associates	22	525.00	525.00		525.00
		Total St. Cyr			\$10,867.50	\$1,916.25	\$8,951.25
12/01/10		Shaheen & Gordon PA	15	8,259.47	\$2,670.00		2,670.00
01/01/11		Shaheen & Gordon PA	16	11,795.84	2,025.00		2,025.00
		Total Shaheen & Gordon PA			4,695.00		4,695.00
7/13/2010		Eagle Mail Company	17	841.66	\$841.66		841.66
1/13/2011		Steven E Patnaude, LCR	18	795.00	286.00		286.00
7/12/2010		U S Postmaster	19	13.65	13.65		13.65
7/13/2010		Union Leader Corporation	20	368.90	368.90		368.90
		Total Other Providers			\$1,510.21		\$1,510.21
		Total			\$19,532.71	\$1,916.25	\$17,616.46
SPSt. Cyr 4/15/2011							