

THE STATE OF NEW HAMPSHIRE

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Debra A. Howland



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
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April 19, 2011

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

Re: Docket No. DW 10-217, Tioga River Water Company, Inc.
Petition for an Increase in Rates
Request for Temporary Suspension of Procedural Schedule



Dear Ms. Howland:

The Commission, by secretarial letter, approved Staff's proposed procedural schedule on the instant docket on December 28, 2010.

During the development of discovery on this docket, Staff received, on April 4, 2011, Commission Audit Staff's Final Audit Report for the Company, which described ongoing deficiencies in the Company's record keeping for fixed plant. By letter dated April 5, 2011, Staff informed the Company that, in Staff's view, these deficiencies must be addressed to the satisfaction of Commission Staff (including Audit Staff) before any further discovery may be conducted on this docket (please see attached letter).

To that end, Staff requests that the procedural schedule in DW 10-217 be suspended until June 10, 2011. If, before June 10, 2011, the Company provides Staff with (1) sufficient evidence of the Company's compliance with Commission requirements related to (a) maintenance of a work-order system; (b) maintenance of a continuing property-record system; and (c) resolution of all outstanding Staff Audit-related matters, and (2) Staff confirms independently that the Company is in compliance with these Commission requirements to its satisfaction, Staff will recommend re-establishment of a procedural schedule at that date. However, if conditions (1) and (2) above are not met as of June 10, 2011, Staff will file a request for a continuation of the suspension of the procedural schedule in DE 10-217 with the Executive Director on June 13, 2011, for an additional 60 days, or until such time that the Company satisfies conditions (1) and (2) above, whichever comes first.

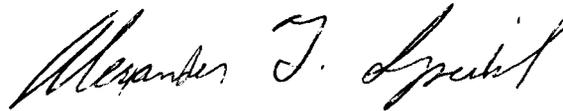
The Company and all intervenors have expressed their accord with this proposal. The Office of Consumer Advocate, though not a participant in this case, has been informed of Staff's request on a courtesy basis, and does not object.

DW 10-217, April 19, 2011

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Thank you in advance for your consideration of this proposed modification to the procedural schedule, and for the consideration of the Commission; please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Alexander F. Speidel". The signature is written in a cursive style with a large, stylized 'A' and 'S'.

Alexander F. Speidel
Staff Attorney

Attachment (Staff Letter April 5, 2011)

Cc: Service List

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April 5, 2011

Mr. Norman H. Harris, *NH*
Tioga River Water Company
1440 Lake Shore Road
Gilford, NH 03246

Re: DW 10-217: Tioga River Water Company, Inc.

Dear Mr. Harris:

Staff has just reviewed the Final Audit Report for Tioga River Water Company (Tioga) which was issued by the NHPUC Audit Staff yesterday and wishes to express its concern with those sections of the report dealing with the Company's shortcomings and inaccuracies relative to its record keeping for fixed plant. The Company continues to be out of compliance with NHPUC rules for maintaining a work order system and a continuing property record system. The lack of such systems has resulted in inaccurate and/or unverifiable account balances relative to the Company's fixed plant, accumulated depreciation and depreciation expense.

Especially disturbing to Staff is the Company's established history of non-compliance and failure to meet commitments to the NHPUC in this regard. At least twice, the Commission has ordered the Company to maintain its plant records in compliance with NHPUC rules: Order No. 21,795 issued on August 22, 1995 and Order No. 24,097 issued on December 16, 2002. Order No. 24,097 established a deadline of June 30, 2003 by which the Company was to establish and maintain a Work Order System and a Continuing Property Records system. Further, following audits conducted by the NHPUC Staff in 1997 and 2005, the Company indicated it would comply with Commission Orders and rules for establishing and maintaining accurate plant records.

It should be of no surprise to the Company that maintaining accurate and verifiable plant records is critical to the establishment of just and reasonable rates for customers. However, after reviewing the audit report, Staff believes that an appropriate level of confidence cannot be placed in the Company's plant records and balances at this time to justify moving forward with the establishment of rates in this case. Even though the Company has again put on record that it will establish appropriate and accurate property records that are in compliance with Commission rules by May 25, 2011, the

DW 10-217: Tioga River Water Company, Inc.

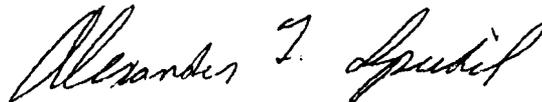
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currently-scheduled date for a technical session with Staff and intervenors, its track record with regard to following through with such commitments leaves Staff unable to continue with the current procedural schedule. Absent full compliance with the Commission's requirements by Tioga, our testimony will recommend a denial of the Company's request for new rates in this docket.

In an effort to finally resolve this problem of long standing, Staff invites Tioga to provide its concurrence with a request to the Commission for a suspension of the procedural schedule in this docket until such time that the Company establishes an accurate and verifiable system of property records that complies with NHPUC rules. In addition, once such a system is put in place by the Company, Staff believes that the Audit Staff should re-examine the Company's plant records in order to attest to its compliance with NHPUC rules. Once this occurs, Staff believes the procedural schedule in this docket can be resumed.

Please provide us with your response to this request for your concurrence as soon as possible. In closing, Staff will not be serving the second round of data requests upon Tioga (due on April 6 under the existing procedural schedule) for the time being.

Sincerely,

A handwritten signature in cursive script that reads "Alexander F. Speidel".

Alexander F. Speidel
Staff Attorney

cc: Service List
Steve St. Cyr