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DW 10-141
DW 07-105

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September 16, 2011

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

RE: DW 10-141 Lakes Region Water Company Rate Case
DW 07-105 Investigation of Receivership Pursuant to RSA 374:47

Dear Ms. Howland:

The purpose of this letter is to provide a proposed schedule in DW 10-141 (LRWC rate case), and to request that the Commission schedule a hearing in both the rate case and in DW 07-105 to provide an opportunity to resolve the rate case and to discuss larger issues facing the Company.

As you know, in 2007 the Commission opened DW 07-105 to investigate issues related to LRWC's service quality and whether LRWC should be taken into Receivership. Although the Commission approved a Settlement between the Company and Commission Staff that did not take the Company into Receivership on July 25, 2008, DW 07-105 has remained open to allow the parties to monitor the Company due to ongoing concerns about LRWC's technical, managerial and financial capacities as well as issues related to compliance with permitting and other requirements of the Department of Environmental Services (DES).

On July 19, 2010, Lakes Region Water Company filed a request to increase rates by approximately 40%, which was docketed as DW 10-141. The filing stated that the Company had shown a loss in 2009 of \$207,674. On February 18, 2011 the Commission approved a Settlement Agreement between Commission Staff and LWRC that included a temporary rate increase of approximately 18%.

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On August 11, 2011, the Commission approved the parties' fourth request for additional time to explore resolutions to the myriad issues facing the Company, and to develop a procedural schedule for the permanent phase of the pending rate case. Each request was made based on good faith efforts undertaken by the parties and Staff to address issues including those in the rate case as well as other larger issues related to those in DW 07-105. The parties and Staff met several times over the spring and summer but have not yet been successful in our efforts. Our August request stated that the parties and Staff would propose a new schedule today.

On September 14, 2011 the Company's outside legal counsel withdrew from the case. The OCA views this as a negative development at a critical time. In our view, the Company needs the assistance of counsel and the resources that its attorney brought to discussions aimed at addressing the serious issues raised in this motion, including financial and managerial expertise.

In light of the fact that an extended period of discussions has not resulted in resolution of the issues facing the Company, the OCA believes that it is not in customers' best interest – nor likely in shareholders' interest – to allow more time to pass without considering taking steps to ensure that the LRWC can continue to provide safe and adequate service to its customers. The Company faces many serious issues at this time which impact its ability to provide adequate and reasonable service. They include financial challenges such as the inability to attract capital at reasonable rates; looming major infrastructure projects that must be undertaken in the near future, some in order to meet DES requirements; and significant debt and payables that are severely impacting the Company's cash flow and which are resulting in the use of consumer credit to fund some of the Company's operations. Other major challenges include managerial issues that the current Company President Thomas Mason has been making efforts to address but which require additional attention and resources. Many of these problems are described in detail in pleadings and discovery in DW 10-141, DW 07-105, and DW 08-070 (a case involving several step increases approved in recent years), as well as in Commission's Audit Staff reports in DW 10-141 and DW 08-070.

The parties have already invested significant time and resources in efforts to resolve the Company's problems through traditional regulatory approaches. The inability of the parties to resolve the Company's many challenges arises from the number and complexity of the Company's managerial, technical and financial challenges. The OCA continues to be committed to working toward a common resolution if possible, but we also believe that there may be steps that should be taken immediately, beyond resolving the rate case, in order to prevent the Company from failing to provide safe and adequate service at just and reasonable rates.

The OCA therefore respectfully requests that the Commission approve the attached expedited schedule, and notice a hearing in early November for both DW 10-141 and DW 07-105. This will allow the parties and Staff to propose steps to resolve both the rate case and larger issues related to the receivership investigation. The schedule includes opportunities for continued dialogue so that settlement and negotiated solutions may still be explored.

Please do not hesitate to contact me if you require further information. Thank you for your assistance.

Respectfully,

A handwritten signature in cursive script, appearing to read 'MATH', is positioned above the typed name.

Meredith A. Hatfield, Esq.
Consumer Advocate

cc: DW 10-141 and DW 07-105 Service lists (via email)

DW 10-141 Lakes Region Water Company Rate Case
DW 07-105 Investigation of Receivership Pursuant to RSA 374:47
September 16, 2011

Proposed Schedule DW 10-141 and DW 07-105

OCA proposal for schedule and request for combined hearing	9/16/11
Staff and Intervenor Testimony due	10/10/11
Tech Session/Settlement Conference, 9am	10/12/11
Data Requests on Testimony due	10/14/11
Data Responses due	10/21/11
Settlement Conference, 9am	10/24/11
File full or partial Stipulation/Settlement/Rebuttal Testimony	10/28/11
Hearing on Permanent Rates & issues related to DW 07-105, 9am	11/2/11