

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

Docket Nos. DW 10-141, DW 07-105, DW 10-043, and DW 11-021

Lakes Region Water Company, Inc.

**RESPONSE TO OBJECTION TO
MOTION TO DESIGNATE STAFF ADVOCATES**

NOW COMES the Lakes Region Water Company and responds to Staff's *Objection to Motion to Designate Staff Advocates* and in support hereof states as follows:

1. This Response is submitted to respond to facts alleged in *Staff's Objection* that, due to the nature of the allegations made, require a clear response.

2. Staff argues that Lakes Region Water Company's "disclosure in its motion of the substance of the settlement discussions constitutes ... a waiver of the expectation that Staff must not disclose the contents of the discussions." *Objection, Par. 5.*

However, the Company merely stated that Staff did not "evaluate the Company's financial proposals made in this proceeding" when it recommended that the Company be sold. *Motion to Designate Staff Advocates, Para. 2.*¹ No disclosure of settlement discussions was made.

3. Staff then launches an attack on the Company that, more than anything else, confirms the need for designation in this case. For example, Staff alleges that the Company has made "false representations" to the Commission "with the purpose of

¹ The OCA, by comparison, offered testimony suggesting that the Company's proposals were, in the OCA's view, not sufficient. *See* Testimony of Stephen Eckberg, Page 18-19.

deceiving a public servant in the performance of his or her official function.” *Objection, Para. 7*. Staff further alleges that the Company’s use of “false information had the effect of artificially limiting Staff’s consideration ... [to] only proposals that were beneficial to LRWC.” *Objection, Para 9*. Staff even argues that the Company’s request to designate staff advocates, a statutory right, is an “attempt to pressure Staff to not pursue sanctions for LRWC having provided false information.” *Objection, Para. 10*.

4. These allegations are denied, simply untrue, and the Company submits an affidavit in opposition thereto. It is true that two inquiries were made: one during a brief visit; and the other during a dinner conversation. However, neither inquiry resulted in an offer of any kind to purchase the company, and both ended with the recommendation that the Company’s need for rate relief first be resolved. *See Affidavit of Thomas Mason*.

5. In fact, these two inquiries confirm the Company’s position that its current financial needs need to be resolved in this proceeding. Without adequate rates to cover its cost of service, it is difficult to see how any sale of the Company could be explored.

6. Staff’s objection is filed on behalf of the Commission’s staff as a whole, and clearly illustrates the need for the Commission’s decisional and advocacy staff to be completely separate. This case must be decided based on the evidence, without ex parte influence from Staff or any person who has formed an opinion that is “highly adversarial.” RSA 363:32. No other result is allowed under our constitution. *Appeal of Public Service Co. of New Hampshire*, 122 N.H. 1062, 1074-1076 (1982) (“Due process

requires members of the PUC to refrain from ex parte communications if such an agency is not only to be, but also to appear to be, impartial.”).

WHEREFORE the Lakes Region Water Company respectfully requests that the Commission grant its *Motion to Designate Staff Advocates*.

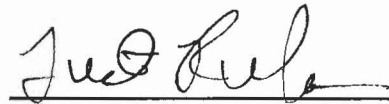
Respectfully submitted,

**LAKES REGION WATER
COMPANY, INC.**

By its Counsel,

UPTON & HATFIELD, LLP

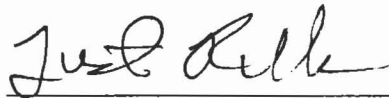
Dated: November 15, 2011



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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was this day forwarded to all parties on the official service lists for DW 10-141, DW 07-105, DW 10-043, and DW 11-021.



Justin C. Richardson

STATE OF NEW HAMPSHIRE**PUBLIC UTILITIES COMMISSION****Docket Nos. DW 10-141, DW 07-105, DW 10-043, and DW 11-021****Lakes Region Water Company, Inc.****AFFIDAVIT OF THOMAS A. MASON**

Thomas A. Mason, having been duly sworn, hereby deposes and says:

1. I am Thomas Albert Mason. I am the President of the Lakes Region Water Company, Inc. I offer this affidavit in response to the statements made by Staff in its *Objection to Motion to Designate Staff Advocates* dated November 10, 2011.

2. Staff claims that I or the Company, misled or made material misrepresentations to Staff. These serious allegations are untrue: neither I nor any representative of the Company has ever knowingly misled or made misrepresentations to Staff.

3. Staff argues that the Company concealed that it had received two inquiries concerning the potential purchase of the Company in order to force Staff to consider more favorable rate treatment. This is untrue. The Company did receive two brief inquiries, one from Aquarion and one from Connecticut Water, discussed below. Both ended without any real expression of interest in buying the Company. In each case it was felt that further discussions were not practical until the Company's rate cases were resolved.

4. In addition, before Pennichuck Corporation was acquired by the City of Nashua, Pennichuck did express some interest. However, since the announcement of its

acquisition by the City of Nashua, it has made clear that it is no longer interested in acquiring new water systems.


5. Aquarion. To the best of my recollection, in March 2010, Harry Hibbard stopped by the Company's office to speak about the potential purchase of Lakes Region Water Company, Inc. At that time, the Company was preparing its rate case in Docket DW 10-141. Due to the Company's current financial situation, it was agreed to hold off on further discussions until the rate case has concluded. No further discussions have taken place until, as indicated in the Company's Motion to Designate Staff Advocates, he called on October 21 of this year and requested a meeting that was held on October 24, 2011. According to the notes taken by my assistant, Taryn Dawson, he stated that he had been "pressed by [the] PUC" to make an offer to purchase the Company. This is consistent with my recollection of the meeting.

6. Connecticut Water. To the best of my recollection, on or about December 2010, Don Crandlemire, the Company's previous attorney, contacted Eric Thornburg of Connecticut Water seeking his expertise on utility matters, at the suggestion of Marcia Thunberg of the PUC Staff. Mr. Thornburg happened to be coming to our area and suggested we have a dinner meeting to discuss our utility situation. He mentioned that Connecticut Water was interested in having a presence in New Hampshire and might be willing to work with the Company in the future. However, no offer or further expression of interest was made and it was agreed that the Company needed to finish the rate case proceedings before further discussions would be held.

7. I continue to believe that no sale of the Company is even possible unless and until adequate financial plan to cover its costs of service, outstanding debt and capital

requirements is approved. The reason for this is simple: the Company's 17 water systems are much smaller than those operated by any potential purchasers such as Aquarion or Connecticut Water. Without a viable financial plan, the risks to the buyer greatly outweigh any benefit. I continue to believe this is the case and have never misrepresented or misled Staff in that regard.

Dated: 11-15-11


Thomas A. Mason

STATE OF NEW HAMPSHIRE
COUNTY OF _____

Subscribed and sworn to before me this _____ day of _____, 2011.

Notary Public/Justice of the Peace
My Commission Expires

* Harry Hibbard - Aquarion Water 10/24/11 ^{end} 2pm
Hingham + Hull

Naylor - PUC "pressed by PUC"

thru lawyer - they are int - got info before we did & didn't
get us firms like Cons. Compl)

- Mt. Roberts - worth what it's worth not purchase price

Payables

states pushing you to sell

Rate case

you are interest

we want to buy

let's move fwd

investor who gives \$ →

→ Marcia Thunberg - get into shape so we can sell

- cap imp. projects - get \$ for that

375

- 500,000 payables - get \$ bc it was in ROE, not returned

- 5 yrs supply agreement - 5 yrs is gone
Rate legal each year.

o affiliate is part of deal - has Noissue with

- must be PUC approved

- do as much out of house as possible

↳ they contract everything out

- won't be affiliated w/ aquarion any more

- waste of \$ to charge contractors. enstg have all

ways, knowledge, \$

o Wica - PA had 1st

o decoupling / conservation

↳ doing gas + electric in MA

- talk to Barb

- talk to call Carl

- list of questions

- tell Mark Naylor?