

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

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March 15, 2012 - 9:13 a.m.
Concord, New Hampshire

Day 2

MORNING SESSION ONLY

NHPUC APR02'12 PM 4:08

RE: DW 07-105 LAKES REGION WATER COMPANY:
Investigation Into Quality of Service.
DW 10-043 LAKES REGION WATER COMPANY:
Affiliate Agreement with LRW Water Services.
DW 10-141 LAKES REGION WATER COMPANY:
Petition for a Change in Rate Schedules.
DW 11-021 LAKES REGION WATER COMPANY:
Petition for Approval of Long-term Debt.

PRESENT: Chairman Amy L. Ignatius, Presiding
Commissioner Robert R. Scott
Commissioner Michael D. Harrington

Clare Howard-Pike, Clerk

APPEARANCES: Reptg. Lakes Region Water Company:
Justin C. Richardson, Esq. (Upton & Hatfield)

Reptg. Property Owners Association at
Suissevale, Inc. (POASI):
Douglas L. Patch, Esq. (Orr & Reno)

Court Reporter: Steven E. Patnaude, LCR No. 52

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APPEARANCES: (C o n t i n u e d)

Reptg. Residential Ratepayers:

Rorie E. P. Hollenberg, Esq.
Stephen R. Eckberg
Donna McFarland
Office of Consumer Advocate

Reptg. PUC Advocate Staff:

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Mark A. Naylor, Director - Gas & Water Div.

Reptg. PUC Non-Advocate Staff:

Alexander Speidel, Esq.
James Lenihan, Gas & Water Division
Douglas Brogan, Gas & Water Division
Jayson Laflamme, Gas & Water Division

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I N D E X

PAGE NO.

WITNESS:

THOMAS A. MASON

Cross-examination resumed by Ms. Thunberg

10

Cross-examination by Ms. Hollenberg

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E X H I B I T S

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P R O C E E D I N G

1
2 CHAIRMAN IGNATIUS: I'd like to reopen
3 the record in Lakes Region Water Company Docket DW 10-141,
4 which is a consolidated hearing on a number of cases; DW
5 07-105, DW 10-043, and DW 11-021, as well as 10-141.
6 We're in our second day of hearings. And, let's start
7 with appearances, and then see what other procedural
8 matters need to be dealt with before we go back to
9 testimony. Mr. Richardson.

10 MR. RICHARDSON: Good morning,
11 Commissioners. Justin Richardson, from Upton & Hatfield,
12 here on behalf of Lakes Region Water Company. With me
13 here at counsel table, I have Thomas Mason and Norman
14 Roberge, the Company's accountant. Also, behind me, I
15 have Steve Scott, who is with the Company, and Jason --
16 I'm drawing a blank right now.

17 MR. DAWSON: Jake Dawson.

18 MR. RICHARDSON: Jake Dawson, excuse me.

19 CHAIRMAN IGNATIUS: Good morning.

20 MR. PATCH: Good morning. Doug Patch,
21 from Orr & Reno, on behalf of the Property Owners
22 Association at Suissevale, Inc. And, with me at the table
23 is John Skelton, the president of the Association.

24 CHAIRMAN IGNATIUS: Good morning.

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1 MS. HOLLENBERG: Good morning,
2 Commissioners. My name is Rorie Hollenberg. I'm here on
3 behalf of the Office of Consumer Advocate. And, with me
4 today is Stephen Eckberg and Donna McFarland.

5 CHAIRMAN IGNATIUS: Good morning.

6 MS. THUNBERG: Good morning, Chairman
7 Ignatius, Commissioners Scott and Harrington. My name is
8 Marcia Thunberg, and I'm representing Advocate Staff, Mark
9 Naylor.

10 MR. SPEIDEL: Good morning,
11 Commissioners. I'm Alexander Speidel. I'm representing
12 Staff. I have with me Jayson Laflamme, also Doug Brogan,
13 and Jim Lenihan, of the Gas & Water Division. Thank you.

14 CHAIRMAN IGNATIUS: Good morning,
15 everyone. I know, for starters, that there is the pending
16 matter of the motion *in limine* filed by the OCA and
17 Suissevale last week, and an objection received from Mr.
18 Richardson, as we had requested at the last hearing. If
19 there's anything, we've all had a chance to review the
20 objection and are prepared to rule on it, on the motion,
21 but wanted to know if there is anything further that the
22 moving parties wanted to speak to in response to the
23 objection? Nothing, Mr. Patch. Ms. Hollenberg, anything
24 else?

1 MS. HOLLENBERG: No thank you.

2 CHAIRMAN IGNATIUS: All right. We have
3 discussed it, after going through the motion and the
4 objection, and we will make the following rulings, and
5 these will all be ultimately recorded in an order, but
6 should be relied on today:

7 On the issue of the START mechanism, I
8 think as we said at the last session, we believe that to
9 get into the START mechanism, how it would work, and how
10 it might be applied over time, is new evidence, not
11 appropriate rebuttal, and not something to be taken up in
12 this case. However, we accept that the idea of the START
13 mechanism is an example of the Company making an effort to
14 look for mechanisms for its financial circumstances. And,
15 as I said the other day, we accept it as that. We
16 acknowledge that, that it's an effort. And, if it's
17 something that the Company and the parties want to
18 continue to work on, for some future examination, it's
19 welcomed to do so. But, to explore it further in this
20 docket I don't think is appropriate, and would lead to no
21 finding, because it's not noticed, it's not an issue
22 before us, it's not been discovered. So, I think it's, as
23 an example of some efforts the Company has made, we will
24 accept that, note that in the record, but not go further

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1 than that.

2 On the issue of the return on equity
3 proposed by Mr. Montville and endorsed by Mr. St. Cyr
4 that's different than the return on equity proposed by Mr.
5 St. Cyr in his direct testimony, we will not strike that
6 evidence, but we will give it the weight that we think
7 due, given the comments of Mr. Montville on the stand that
8 he is not a return on equity expert, he wasn't attempting
9 to do the kind of analysis that one generally sees with
10 those kinds of cases. He didn't do a discounted cash flow
11 analysis. He was simply doing the math of what he felt
12 was needed for the Company, and one mechanism would be to
13 set the return at the level that he said. And, so, with
14 that as an explanation of what the testimony was, we will
15 not strike the evidence, but give it the weight that we
16 think it's due.

17 On the question of whether Mr. Montville
18 himself is qualified as an expert to testify, he's
19 acknowledged he's not a cost of equity expert, and didn't
20 hold himself out to be so, and that goes back to my second
21 issue. As to whether he's qualified to speak as a
22 financial analyst for the Company and its efforts to
23 improve its financial standing, we will deny the OCA's
24 objection to that, and find that he has the financial

1 qualifications to be able to be speaking to ways to get
2 the Company on a sound footing.

3 And, finally, on the issue of whether
4 there should be testimony on the financial and managerial
5 expertise and status of the Company, and its status as to
6 letters of deficiency or other problems, we think that is
7 appropriate rebuttal to issues that were raised by
8 witnesses in this case, and particularly issues that were
9 noticed in the 07-105 docket. And, so, -- which is
10 consolidated into this. So, we will allow that evidence
11 as appropriate rebuttal.

12 So, with that, unless there are any
13 questions, are we prepared to go back to Mr. Mason on the
14 stand?

15 MR. RICHARDSON: Yes.

16 MS. THUNBERG: Yes. Staff is.

17 CHAIRMAN IGNATIUS: All right. Thank
18 you. Then, Mr. Mason. And, Mr. Mason, you remain under
19 oath from the other day.

20 MR. MASON: Okay.

21 (Whereupon **Thomas A. Mason** was recalled
22 to the stand, having been previously
23 sworn.)

24 CHAIRMAN IGNATIUS: Have a seat and get

[WITNESS: Mason]

1 settled. And, are we still, I confess, I didn't look
2 back, are we still --

3 MS. THUNBERG: Chairman Ignatius, Staff
4 had started its cross, and was expecting to pick up with
5 its cross. I think that's where we left off.

6 CHAIRMAN IGNATIUS: Thank you for the
7 help. So, the Staff Advocate examination is where we are
8 now, yes?

9 MS. THUNBERG: Yes, Staff Advocate.
10 Thank you.

11 CHAIRMAN IGNATIUS: Thank you.

12 MS. THUNBERG: Good morning, Mr. Mason.

13 WITNESS MASON: Good morning.

14 **THOMAS A. MASON, PREVIOUSLY SWORN**

15 **CROSS-EXAMINATION (Resumed)**

16 BY MS. THUNBERG:

17 Q. Do you have a copy of the DW 07-105 Settlement
18 Agreement in front of you?

19 A. I do not.

20 CMSR. HARRINGTON: Could you give us the
21 date of the Settlement Agreement, so we could try to look
22 it up?

23 MS. THUNBERG: Yes. This is a document
24 dated "October 10th, 2007", was marked in DW 07-105 as

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[WITNESS: Mason]

1 "Exhibit 1".

2 CMSR. HARRINGTON: Is it also LRW
3 Exhibit 12 in this case?

4 MR. RICHARDSON: Yes. And, I just --
5 one point of clarification. I have the document dated
6 "May 7th, 2008". I think the October date is the date of
7 the Commission order approving it, which is LRW
8 Exhibit 13.

9 MS. THUNBERG: Thank you for that
10 clarification, Attorney Richardson. I was mistaken when I
11 quoted the October date.

12 (Atty. Richardson handing document to
13 Witness Mason.)

14 WITNESS MASON: Thank you.

15 MS. THUNBERG: Commissioner Harrington,
16 I don't know if we got back to your question of whether
17 this is -- the Settlement Agreement that I'm referring to
18 is also LRW Exhibit 12? That is correct.

19 CMSR. HARRINGTON: That's what you're
20 saying, it is, correct?

21 MS. THUNBERG: It is. Yes.

22 CMSR. HARRINGTON: Okay. Thank you.

23 That's what I thought.

24 BY MS. THUNBERG:

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[WITNESS: Mason]

1 Q. Okay. Mr. Mason, I'd like to have you turn your
2 attention to Page 2 please of that 07-105 Settlement
3 Agreement. And, I have a few questions regarding the
4 "Financing and Step Adjustment Filing" paragraph.

5 A. Okay.

6 Q. Now, fourth sentence down has a statement "filing --
7 "the filing will review the Company's proposed capital
8 structure, and a review of the ongoing access to
9 capital." Now, is it your understanding that these
10 issues were dealt with in Docket 08-070, the step
11 adjustment filing that Lakes Region made?

12 A. Yes.

13 Q. Okay. So, I guess, in follow-up, in compliance with
14 this paragraph, 08 -- or, Docket DW 08-070 is the
15 docket that would satisfy the requirement of this
16 paragraph. You agree with that?

17 A. Yes.

18 MS. THUNBERG: Chairman Ignatius, I'd
19 like to mark for identification a Stipulation Agreement
20 that was entered in Docket DW 08-070. I don't believe it
21 has been previously marked. In Docket 08-070, it was
22 Exhibit Number 2.

23 CMSR. HARRINGTON: Excuse me. Is it
24 08-07? 08-70?

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[WITNESS: Mason]

1 MS. THUNBERG: 08-070.

2 CHAIRMAN IGNATIUS: Is there any
3 objection to that being marked for identification? Can
4 you give one to Mr. Richardson?

5 MR. RICHARDSON: No objection to marking
6 it.

7 CHAIRMAN IGNATIUS: So, are we following
8 the Staff Advocate, separate -- I think we're doing that
9 for exhibits, aren't we, by parties?

10 MS. HOWARD-PIKE: That's correct. It
11 would be "Staff Advocate 2".

12 (The document, as described, was
13 herewith marked as **Exhibit Staff**
14 **Advocate 2** for identification.)

15 MS. THUNBERG: My only comment, having
16 pulled the exhibit description, where we have a
17 description called "Settlement Agreement", it would be
18 helpful if it was described more fully as to what
19 settlement agreement it was. I'm just looking at Exhibit
20 LRW 12, it says "Settlement Agreement". I couldn't tell
21 from the exhibit list what it was. And, so, --

22 CHAIRMAN IGNATIUS: So, what are you
23 asking?

24 MS. THUNBERG: I'm asking the Clerk to

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[WITNESS: Mason]

1 be more descriptive in the exhibit description. Thank
2 you.

3 MS. HOLLENBERG: Excuse me, may I ask a
4 question to clarify?

5 CHAIRMAN IGNATIUS: Uh-huh.

6 MS. HOLLENBERG: What settlement
7 agreement is it? Are there more than one in that docket?
8 And, what's date? I just missed it. I'm sorry.

9 MR. PATCH: I have extra copies for the
10 other parties.

11 CHAIRMAN IGNATIUS: Yes, I think we're
12 talking about two things. Exhibit 12, the Company's
13 Exhibit 12 on this Exhibit List, which I don't think the
14 Clerk prepared, I think this was from the Company, but
15 correct me if I'm wrong, says "Settlement Agreement", and
16 your request is that it be a more detailed title. So, if
17 there's multiple settlement agreements, at a glance you
18 can tell which is which. That's fine.

19 MS. HOLLENBERG: Actually, I understood
20 that Staff counsel was going to ask a question about LRW
21 Exhibit 12. I thought she just introduced an exhibit for
22 identification related to DW 08-070. And, my
23 understanding is that there were multiple phases of that
24 docket. I didn't participate, but I just wanted to

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[WITNESS: Mason]

1 clarify what phase the Settlement Agreement related to,
2 because I might not have heard it. That's all.

3 CHAIRMAN IGNATIUS: Exactly. And, I
4 think we're trying to get to that. So, if, on the Exhibit
5 List, at a break, if the parties can agree on more
6 detailed headings, that's fine with us, but we won't take
7 time to do that right now. And, then, secondly, on this
8 new Staff Advocate 2, is a "Stipulation Agreement", not a
9 "Settlement Agreement". And, if that's what you're asking
10 for further explanation of what phase of that other docket
11 it dealt with, that's, again, --

12 MS. HOLLENBERG: What date is it? I'm
13 sorry.

14 CHAIRMAN IGNATIUS: -- we'll try to make
15 clear, and on headings in the Exhibit List, anything you
16 can that would clarify that.

17 MS. HOLLENBERG: Excuse me. I just
18 don't know what date it is. I don't have a copy of the
19 document in front of me. So, I don't know what document
20 you're talking about.

21 MS. THUNBERG: There has been a request
22 for additional copies. I have exhausted my copies. So, I
23 am going to be as descriptive as possible in the record,
24 so that parties can follow along. Many parties here have

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[WITNESS: Mason]

1 already participated in the step adjustment docket. The
2 Stipulation Agreement that we are discussing, that was
3 filed in response to the Settlement Agreement in the
4 receivership docket, which was 07-105, that Stipulation
5 Agreement is dated "September 25th, 2008".

6 And, by way of further clarification,
7 the gist of my questioning from 07-105 Settlement
8 Agreement was to establish that the 08-070 docket was a
9 compliance, in satisfaction of the requirement of
10 Paragraph A. I think we've established that. I don't
11 know if that helps?

12 MS. HOLLENBERG: I was asking about the
13 DW 08-070 Settlement Agreement. Was there an exhibit
14 you're introducing about that? That's the one I was
15 asking about. I'm sorry.

16 MS. THUNBERG: It's just been marked as
17 "Staff Advocate 2".

18 MS. HOLLENBERG: But what document?
19 What was the date of the document? I don't know what
20 document you're referring to, because I don't have a copy
21 of it. That's all.

22 MS. THUNBERG: September 25th, 2008,
23 Stipulation Agreement in DW 08-070.

24 MS. HOLLENBERG: Okay. Thank you.

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[WITNESS: Mason]

1 MS. THUNBERG: Mr. Mason, did I give you
2 a copy of this?

3 WITNESS MASON: No. I was going to ask
4 you.

5 MR. RICHARDSON: May I approach the
6 witness? Because I only have one copy, the witness
7 doesn't have a copy of the Settlement Agreement. So, I'm
8 not going to know what he's saying about it unless I can
9 see the agreement.

10 CHAIRMAN IGNATIUS: Well, I have no
11 problem with you giving the witness a copy. Obviously, he
12 needs one. If this is something, Ms. Thunberg, you're
13 going to be inquiring about, parties need it. Let's just
14 deal with it right now and go make copies, if we need to.
15 I don't know if you're asking one foundational question or
16 you're going to spend a number of minutes on this?

17 MS. THUNBERG: I'm not spending a few --
18 a number of minutes on it. I'm -- I have a handful of
19 questions. I'd be happy at the break to make more copies.

20 CHAIRMAN IGNATIUS: All right. Please,
21 everyone. It's not a surprise who's in the room today.
22 Make enough copies so that everybody can review these
23 things before going through them.

24 MR. RICHARDSON: It's my understanding

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[WITNESS: Mason]

1 that's what the rules for exhibits require. So, I think
2 that's --

3 MS. HOLLENBERG: I can pull it up, if
4 you want, and if you want to come over here and sit, we
5 can share.

6 MR. RICHARDSON: Thank you.

7 MS. HOLLENBERG: I'm happy to.

8 MS. THUNBERG: All right.

9 BY MS. THUNBERG:

10 Q. Mr. Mason, with the 08-070 stipulation you have in
11 front of you, are you familiar with the terms of this
12 document?

13 A. I haven't seen it in a while.

14 Q. Okay. I'd like to draw your attention to Page 5. And,
15 Paragraph B, "Financing Request and Cost of Capital",
16 are you there?

17 A. Yes.

18 Q. Okay. There is a line item, second from the bottom, a
19 dollar amount of "\$724,430". Do you see that?

20 A. Correct. Yes.

21 Q. And, the gist of that sentence is that, "In lieu of a
22 loan from the Company's stockholders, Lakes Region
23 Water Company will now accept an equity infusion in the
24 total amount of 724,430"?

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[WITNESS: Mason]

1 A. Yes.

2 Q. Okay. So, with respect to that equity infusion, was
3 that equity infusion an effort on the Company's part to
4 make its capital structure more balanced?

5 A. Yes.

6 Q. And, capital structure was a concern in DW 07-105,
7 correct?

8 A. Yes.

9 Q. At the time this equity infusion was made -- or,
10 actually, when was this equity infusion made, if you
11 know?

12 A. I believe it was during, and I'm just kind of not
13 exactly sure, but I'm going to say it was about the
14 time I started running the operation, which was in
15 2007, maybe a little bit earlier. I'm not really sure.

16 Q. That's fair. Do you have a recollection of what
17 capital assets or what -- what did this equity infusion
18 go towards in Lakes Region Water Company?

19 A. Oh, I believe it was numerous things. Including the
20 Hidden Valley project, probably. Probably some -- I'm
21 not really sure at the time. That was several years
22 ago. But the projects that we needed to complete.

23 Q. Did some of this equity infusion go to pay operating
24 expenses?

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[WITNESS: Mason]

1 A. Oh, I'm sure it did.

2 Q. Do you have any idea of the order of magnitude that the
3 equity infusion would have paid for, in terms of
4 capital improvements and operating expenses?

5 A. I don't. But I can't imagine that the -- and most of
6 it was capital improvements. We were in a pretty
7 capital improvement -- had a bunch of projects going
8 on, things we needed to do at the time. I would say
9 most of it probably went to capital.

10 Q. Okay. And, are you familiar that investments in
11 capital are allowed a rate of return?

12 A. Yes.

13 Q. And, that operating expenses do not usually have a rate
14 of return associated with it?

15 A. Right.

16 Q. I know that you said that I'm stretching your memory
17 with this 08-070 docket, but, to the extent you recall,
18 back when this equity infusion was made, what was the
19 state of Lakes Region Water Company's access to
20 capital?

21 A. Let me think. That was shortly after when I was
22 starting out. I'm not really sure of the answer to
23 that. I was just getting my feet wet at that point.

24 Q. Okay. I'm going to move onto a different subject at

{DW 07-105/10-043/10-141/11-021} {03-15-12/Day 2 A.M. ONLY}

[WITNESS: Mason]

1 this point. Mr. Mason, with respect to the Settlement
2 Agreement in 07-105, back to Paragraph A, at the bottom
3 it references the "SRF program"?

4 A. Uh-huh. Yes.

5 Q. And, did Lakes Region commit to applying for SRF
6 financing as part of the Settlement Agreement in
7 07-105?

8 A. Yes, we did.

9 Q. And, subject to check, would you agree that that docket
10 was Docket DW 09-098?

11 A. If you say so.

12 Q. Do you recall that the financing approval was for one
13 and a half million?

14 A. Yes.

15 Q. And, was this DW 09-098 Lakes Region's first attempt to
16 obtain SRF financing after it agreed to in the
17 settlement agreement in the receivership docket?

18 A. I believe so.

19 Q. And, you're aware that the Commission approved the
20 financing request?

21 A. Yes, I am.

22 Q. Do you have a copy of your reply testimony with you?

23 A. I believe I do.

24 Q. And, for the record, that reply testimony was marked as

{DW 07-105/10-043/10-141/11-021} {03-15-12/Day 2 A.M. ONLY}

[WITNESS: Mason]

1 "LRW Exhibit 6"?

2 A. Yes.

3 Q. I don't know if your pages are sequentially numbered,
4 but I'm going back to Page 32 of your testimony.

5 A. Sure. It says "Capital Projects". Is that the one?

6 Q. Whoops. I'm sorry. I misspoke on the page number. I
7 want to stay in Exhibit D.

8 A. Okay.

9 Q. So, I guess I'm at Page 31. Now, in this attachment,
10 the last sentence states that "NHDES has final
11 authority on the loan request and may opt to proceed
12 with closing, if it so chooses." You're familiar with
13 this document?

14 A. Yes, I am.

15 Q. And, would you agree that, at the time of this Exhibit
16 D, DES was willing to make the loan?

17 A. They were willing. We still needed to go before the --
18 before the Governor's Council and basically plead our
19 case.

20 Q. And, are you aware that G&C approval is usually
21 necessary for SRF financing?

22 A. Yes.

23 Q. So, it wasn't that Lakes Region was going before G&C
24 out of something extraordinary?

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[WITNESS: Mason]

1 A. No. It just was the next step. Although, according to
2 DES, it was going to be a tough meeting.

3 Q. And, do you recall that Lakes Region filed a letter
4 with the Commission advising the Commission that it was
5 withdrawing its SRF request?

6 A. Yes.

7 MS. THUNBERG: Actually, I'm going to
8 mark an exhibit. I'd like to mark this document as "Staff
9 Advocate Exhibit 3".

10 CHAIRMAN IGNATIUS: And, this is?

11 BY MS. THUNBERG:

12 Q. Mr. Mason, could you identify this document for the
13 record.

14 A. It's the letter from Steve St. Cyr withdrawing from the
15 ARRA and SRF program for that project, those projects.

16 CHAIRMAN IGNATIUS: Any objection to
17 this being marked for identification?

18 MS. HOLLENBERG: No.

19 MR. RICHARDSON: None.

20 CHAIRMAN IGNATIUS: So marked "Staff
21 Advocate 3".

22 (The document, as described, was
23 herewith marked as **Exhibit Staff**
24 **Advocate 3** for identification.)

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[WITNESS: Mason]

1 BY MS. THUNBERG:

2 Q. And, the reason or the state -- I guess, let me back
3 up. This November 12th letter from Steve St. Cyr,
4 you're familiar with this document?

5 A. Yes.

6 Q. And, when he states that "Lakes Region withdrew its
7 request for ARRA SRF loan", that's accurate, is that
8 correct?

9 A. Definitely.

10 Q. Now, can you please explain why the Company withdrew
11 its request?

12 A. Sure. It was really simple. What ended up happening
13 at the end of it, the Bank Finance Authority didn't
14 recommend doing it from the State. That was the first
15 problem. The second problem was that most of the items
16 on the list were non-revenue generating additions that
17 were -- that all had lives of 40 to 50 years, and the
18 majority towards the 50-year. And, at the time, the
19 length of the note -- the longest length of the note
20 that you get was 20 years. It just put us in a
21 position where we were already in a cash-negative
22 situation, and we could not generate the money to pay
23 the note every month. And, the stockholders were going
24 to have to put up their personal assets against the

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[WITNESS: Mason]

1 note, with a guarantee that they wouldn't generate
2 enough money to pay the note every month.

3 Q. So, the reason for withdrawing the request wasn't that
4 DES had rejected the request, correct?

5 A. No.

6 Q. So, DES was still willing to make the loan, but it was
7 the conditions that Lakes Region objected to, is that a
8 fair characterization?

9 A. It was the fact that we couldn't pay it back.

10 Q. Okay. Mr. Mason, are you familiar with the annual
11 reports that the Company files?

12 A. I've browsed through them. I mean, I don't read them.

13 Q. Okay. I'm going to try to simplify this and not have a
14 whole bunch of paperwork. Over the period of 2008,
15 2009, and 2010, accounts payable are reported in the
16 annual reports, is that correct?

17 A. Correct.

18 Q. And, would you agree that accounts payable in 2008 to
19 2009 time period increased?

20 A. Yes.

21 Q. And, accounts payable from 2009 to 2010 also increased?

22 A. Yes. Although a lot of those, the majority of those
23 are rate case related.

24 Q. Can you please explain that?

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[WITNESS: Mason]

1 A. We spent a ton of money up, I think we're close to
2 \$200,000 in rate case expense at this point, and a lot
3 of that is reflected in lawyers' fees, accountants'
4 fees, financial people, and items like that that are
5 reflected in the base case. I think it's -- I believe
6 it's 186,000 to date.

7 MS. THUNBERG: Chairman Ignatius and
8 Commissioners Scott and Harrington, I have a series of
9 questions that are excerpts of pages of the annual
10 reports, and they're quite voluminous. I think, for
11 efficiency, it would be better to give Mr. Mason these
12 reports that his company has filed, and just put the
13 numbers that I'm looking for, that I'm directing his
14 attention to, verbally on the record. If there's any
15 confusion, at the break I can make copies of these
16 documents. But I'm just trying to get a accuracy on the
17 numbers and a order of magnitude of the numbers and the
18 years. And, I think these would be helpful, with those
19 questions, to refresh his recollection for accuracy.

20 CHAIRMAN IGNATIUS: Is there any
21 objection from other parties to that, who I take it don't
22 have the documents in front of them, correct?

23 MS. THUNBERG: Correct.

24 CHAIRMAN IGNATIUS: Objection from

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[WITNESS: Mason]

1 Suissevale or OCA?

2 MR. RICHARDSON: I don't have any
3 objection to him being asked questions about the reports
4 themselves. If we, obviously, without a copy or being
5 able to see them here, if I have to do redirect, it's
6 going to be difficult. But, maybe, you know, this does
7 lead to a question I haven't solved in my mind yet, which
8 is whether or not we would submit memoranda following this
9 hearing. And that, certainly, I mean, if there are
10 questions about what's in the report, we could always, you
11 know, seek to clarify that in the record through that type
12 of a submission.

13 CHAIRMAN IGNATIUS: Well, let's see
14 where we go. And, don't assume that we're submitting
15 closings or proposed findings or anything, let's do what
16 we can in the hearing room. If it's to merely have Mr.
17 Mason read from pages of reports on file with the
18 Commission, and you're clear on where it can be found, I
19 guess that's okay for now. We don't need to copy
20 thousands of pieces of paper for that.

21 MS. THUNBERG: Okay. Thank you.

22 BY MS. THUNBERG:

23 Q. Mr. Mason, for the record I'd like to describe that,
24 and get your concurrence, that this is a 2008 Annual

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[WITNESS: Mason]

1 Report that Lakes Region would have filed with the
2 Commission? If you could look at that.

3 A. Sure. Yes.

4 Q. Okay. I'm going to leave these with you. We'll start
5 with the next year, 2009. And, I would represent to
6 the record that there is an original Annual Report and
7 revised pages that I'm handing Mr. Mason, to just
8 corroborate that that's what this document is?

9 A. Yes.

10 Q. And, do you recognize this last document?

11 A. 2010 Annual Report.

12 Q. 2010 Annual Report. Okay. On the 2008 Annual Report,
13 if you can get that in front of you, and turn to
14 Page 17.

15 A. Yes.

16 Q. And, Line 18 shows the "Accounts Payable", is that
17 correct?

18 A. Yes.

19 Q. Okay. So, for year-end 2007, accounts payable would be
20 "249,890", is that correct?

21 A. Yes.

22 Q. And that, for the current year-end balance, which would
23 be 2008, it had gone down \$9.00, to "249,881"?

24 A. Correct.

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[WITNESS: Mason]

1 Q. Okay. And, that was a misstatement that I'm trying to
2 correct from my earlier questioning with you, with
3 regards to accounts payable going up or down. Next,
4 I'd like to have you turn to the 2010 Annual Report,
5 and we're going to look at the same Page 17, same Line
6 18, "Accounts Payable", if you can find that?

7 A. Okay. I'm on that line. End-of-year balance was
8 "471,278".

9 Q. And, that would be for 2010 year-end, correct?

10 A. Correct.

11 Q. Now, moving over on that Line 18, the previous year-end
12 balance, that would be 2009 year, correct?

13 A. Right.

14 Q. And, that amount is "\$374,804"?

15 A. Right.

16 Q. And, that was an increase of "\$96,474"?

17 A. Correct.

18 Q. Okay. Now, do you know where the Company stands with
19 respect to accounts payable for 2011?

20 A. As of today? Or, -- oh, at the end of the year, I'm
21 sorry.

22 Q. I understand annual reports are filed at the end of
23 March, is that correct?

24 A. Yes.

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[WITNESS: Mason]

1 Q. And, I'm presuming that Lakes Region is assembling its
2 documents to file its 2011 Annual Report?

3 A. It is.

4 Q. And, do you know at this point, understanding you
5 haven't filed this annual report for 2011 yet, do you
6 have an understanding of where your accounts payable
7 balance is after this 2010 report?

8 A. I believe it's slightly higher than it is. I had a
9 payables list the other day, and I just don't remember
10 exactly what it was. But I believe it was a little
11 more than 470.

12 Q. When you say "a little more", do you have an order of
13 magnitude of --

14 A. I don't, off the top of my head.

15 Q. Fair enough.

16 A. I could probably find it, if you wanted it.

17 Q. Is Lakes Region going to be filing its 2011 Annual
18 Report by the March 2012 deadline?

19 A. Yes. Yeah, I know.

20 Q. I didn't mean my expression to get on the record. I'd
21 like to move beyond the annual reports and go to the
22 Final Audit Report, that I don't believe has been
23 marked as an exhibit.

24 (Atty. Thunberg distributing documents.)

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[WITNESS: Mason]

1 CHAIRMAN IGNATIUS: Any objection to
2 that being marked for identification?

3 (No verbal response)

4 CHAIRMAN IGNATIUS: Seeing none, it's
5 Staff Advocate 4.

6 MS. HOWARD-PIKE: Yes.

7 (The document, as described, was
8 herewith marked as **Exhibit Staff**
9 **Advocate 4** for identification.)

10 BY MS. THUNBERG:

11 Q. Mr. Mason, I'd like to have you identify this document
12 for the record please.

13 A. It would be the Final Audit Report, dated
14 February 15th, 2011.

15 Q. Are you familiar with this document?

16 A. Yes.

17 Q. I'd like to draw your attention to Page 7.

18 A. Okay.

19 Q. The top says "Accounts Payable"?

20 A. Yep.

21 Q. Okay. There's a notation, third line down, that
22 "69.03% [of accounts payable] were aged over 90 days".

23 A. Yes.

24 Q. Do you agree with that?

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[WITNESS: Mason]

1 A. Yes. I believe it is right.

2 Q. Can you provide the Commission with an update on
3 accounts payable -- well, strike that question. Let me
4 phrase this better. This report, Final Audit Report,
5 was for the test year 2009, correct?

6 A. Yes.

7 Q. So, we just went over the Annual Report showing
8 accounts payable having increased for 2010. And, I'm
9 trying to get your sense of, knowing that the test year
10 had 69 percent aged over 90 days, do you have any
11 opinion on the state of aged over 90 days for the 2010
12 accounts payable balance?

13 A. I don't. This, in reality, somebody like Steve
14 St. Cyr, that testified the other day, would have known
15 that, probably known that number better than I do.

16 MR. RICHARDSON: If the Commission would
17 like, the Company would be happy to provide, obviously,
18 it's Staff's line of questioning, but we'd be happy to
19 provide an updated list of the accounts payable. It
20 actually had been our intention to be prepared to file
21 that or provide that today, if it was asked. And,
22 unfortunately, due to some personal illnesses between last
23 Thursday and this Thursday, I missed two days of work and
24 was unable to do that.

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[WITNESS: Mason]

1 MS. THUNBERG: The Staff would jump at
2 the offer of a record request, and would make such a
3 record request, if we can have from Lakes Region an update
4 of its accounts payable, showing the categories of "aged
5 30 days", "aged 60 days", and "aged 90 days". Is that
6 something --

7 CHAIRMAN IGNATIUS: And as of what date?

8 MS. THUNBERG: This would be for the
9 2010 year.

10 CHAIRMAN IGNATIUS: So, meaning -- "2010
11 year" meaning what? What end date?

12 MS. THUNBERG: Year-end balance 2010 for
13 accounts payable.

14 CHAIRMAN IGNATIUS: Okay. So,
15 December 31st, 2010, what that balance was?

16 MS. THUNBERG: Correct. Because this
17 Final Audit Report is for the 2009 year-end balance, it
18 would be helpful to have the 2010 year-end balance, since
19 it sounds like Lakes Region is able to file its annual
20 report timely.

21 CHAIRMAN IGNATIUS: Okay.

22 WITNESS MASON: Isn't that in the 2010
23 report that I have in front of me?

24 MS. THUNBERG: Oh. Okay. It's unclear

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[WITNESS: Mason]

1 that the aged breakout is actually reported in the annual
2 report, is what my analyst is telling me. So, I think
3 I've described the record request sufficiently,
4 Mr. Richardson, is that --

5 CHAIRMAN IGNATIUS: Well, is it -- can
6 the Company do that, to look back and find, as of
7 December 31st, 2010, what the aging of those accounts
8 were?

9 MR. RICHARDSON: Subject to check, I
10 believe that we can. We wouldn't be able to do it today.
11 I had, at the close of the hearing yesterday, a
12 preliminary list I looked at on Friday that was up to the
13 date of the hearing last week. And, that's really where I
14 thought we were going, as to what it was currently. But
15 we'll do whatever we can to, you know, get the information
16 to the Commission, if it would like to have it.

17 CHAIRMAN IGNATIUS: All right. Before
18 we go further, just ask, Ms. Thunberg, offer of proof on
19 why, if it's a 2009 test year, what is the need for
20 showing the age of accounts payable for 2010? Given that,
21 from the discussion it looked like was happening between
22 counsel and the Company's accountant, that that may be a
23 significant amount of work to do. So, before they
24 undertake that work, can you give me an offer of proof of

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[WITNESS: Mason]

1 why the out-of-test-year report is important?

2 MS. THUNBERG: It's my understanding
3 that, as the information is not that difficult to get, if
4 it's easier for 2011, I'd be happy -- Staff Advocate would
5 be happy to have 2011, in lieu of 2010.

6 The relevance of it is we have a company
7 increasing its accounts payable from 2008-ish, '09, and
8 '10, perhaps '11. And, we have a significant -- or,
9 69 percent is aged over 90 days. If the Company's aged
10 over 90 days is increasing, that is going to be
11 symptomatic that even the step increase that came out of
12 08-070 hasn't helped its financial cash flow. And, so,
13 we'd like to establish financially whether the soundness
14 of the Company or unsoundness of the Company, and that
15 information is relevant to that.

16 MR. RICHARDSON: Maybe --

17 CHAIRMAN IGNATIUS: Mr. Richardson.

18 MR. RICHARDSON: I think the problem
19 that we're dealing with philosophically is the 2007 docket
20 related to whether the Company should be placed into
21 receivership, under RSA I believe it's 374:47-a. And,
22 that statute requires a showing of a serious -- I believe
23 it's a "serious and immediate threat to public health and
24 safety". And, I'm not seeing a strong connection between

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1 the status of accounts receivable and, you know, any type
2 of a public health threat. Obviously, there is a -- there
3 is an issue with the accounts receivable that's related to
4 the rate case. And, it's an important one. But I'm
5 thinking that this is, you know, going towards a line of
6 questioning that, you know, whether or not the Company's
7 financial, as it were, its financial qualifications are
8 adequate. And, that's not the issue in the 2007 docket.

9 CHAIRMAN IGNATIUS: Well, whether it was
10 or not in the 2007 docket, you yourself, in your own
11 rebuttal testimony, have talked about the financial status
12 of the Company, and efforts to get it on sound footing and
13 the work of Mr. Montville. So, is it not relevant to your
14 own rebuttal?

15 MR. RICHARDSON: Oh, no, no. It's
16 absolutely relevant to the rate case. I just -- my
17 concern is it's based on the offer of proof that's just
18 made is that it's -- we're heading towards a totally
19 different issue that's not really part of this case.

20 MS. THUNBERG: May I respond?

21 CHAIRMAN IGNATIUS: Please.

22 MS. HOLLENBERG: Yes, I was going to
23 make a comment, but I'm happy to have Staff do it first,
24 if they'd like to.

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[WITNESS: Mason]

1 MS. THUNBERG: This information is very
2 relevant. Mr. Naylor has stated in his testimony that he
3 would -- he recommends the Company seek a buyer, because
4 it does not have access to capital. It's -- the Company's
5 financial state is highly relevant. The Company has filed
6 reply testimony rebutting that it does not have access to
7 capital and can't fund future improvements.

8 MS. HOLLENBERG: My only comment was
9 that it was my understanding that 07-105 was converted
10 into a monitoring docket, but that the Commission did
11 notify the parties in its order approving a Settlement
12 Agreement in that docket that it was going to continue to
13 monitor Lakes Region's financial/managerial competencies,
14 and that there were still several issues that had yet to
15 be fully investigated by other agencies that would be
16 looked at in the future or contemplated to be looked at in
17 the future. Thank you.

18 CHAIRMAN IGNATIUS: Thank you. Well,
19 I'm not sure what we have right now is the question on the
20 table to be resolved. I think we're trying to work out
21 "Is there a need for a record request? And, if so, what
22 is it?" Mr. Richardson, you had said that you got
23 accounts payable data up fairly recently that you
24 prepared, although it doesn't have the aging worked in, is

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[WITNESS: Mason]

1 that correct?

2 (Atty. Richardson conferring with Mr.
3 Roberge.)

4 MR. RICHARDSON: We can get a current,
5 you know, as of today or as of last week, very quickly.

6 CHAIRMAN IGNATIUS: Ms. Thunberg, is
7 that acceptable to you?

8 MS. THUNBERG: Yes. Thank you.

9 CHAIRMAN IGNATIUS: All right. And, so,
10 we'll reserve a record request, --

11 MS. HOWARD-PIKE: Two.

12 CHAIRMAN IGNATIUS: -- number 2, for
13 that updated accounts payable showing 30, 60, and 90 day
14 increments of how far out of payment they are. Thank you.

15 **(Record Request Number 2 reserved.)**

16 MS. THUNBERG: Thank you.

17 BY MS. THUNBERG:

18 Q. Mr. Mason, is the Company using credit cards to pay any
19 of its bills?

20 A. Only when we have to order something over the Internet
21 or something, we use a credit card to do that.

22 Q. Are you using personal credit cards to pay for any of
23 Lakes Region's expenses?

24 A. Not me, personally. I mean, there might be a -- I'm

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[WITNESS: Mason]

1 not sure whose name the credit card is that we use for,
2 you know, over internet payments. I couldn't tell you.

3 Q. Do you use credit cards at gas stations for gas for
4 Lakes Region's equipment?

5 A. Well, once in a while. We have a credit account at two
6 different places, gas stations, that we get monthly
7 billed. And, then, if they're out of town, or, you
8 know, if they're out in one of the sections, and they
9 need to buy gas, then they have a credit card to do
10 that also.

11 Q. With respect to the accounts payable, has that accounts
12 payable balance with vendors impacted Lakes Region's
13 ability to get materials and supplies?

14 A. No. The majority of the longer term items that are on
15 there, over, you know, 90 days, are -- the majority of
16 them are professional services, not so much day-to-day
17 vendors.

18 Q. Thank you. Now, Lakes Region received temporary rates
19 in this, in the rate case docket, correct?

20 A. Correct.

21 Q. And, those rates were about 18 percent, is that
22 correct?

23 A. Yes. 142,000, I think I remember.

24 Q. Subject to check, would you agree that the Commission

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[WITNESS: Mason]

1 approved the rates, the temporary rates, February of
2 2011?

3 A. I'm not sure of the date, but somewheres in that
4 vicinity.

5 Q. And, then, did Lakes Region request the ability to
6 implement a surcharge to recover portions of the
7 temporary rate?

8 A. Yes, we did.

9 Q. After that approval from the Commission was resolved,
10 when did Lakes Region start billing the temporary rate
11 increase?

12 A. That's not -- I can't answer that. I don't know what
13 the date was that we started to bill those back out.

14 Q. Okay. I'll ask this next question anyway, maybe. Do
15 you know when the increased customer payments started
16 coming into Lakes Region after they were billed?

17 A. I would -- I don't know the answer to that, but I'm
18 going to say it should have been -- we have kind of a
19 convoluted billing method, where we bill different
20 divisions every month, so that it kind of keeps
21 rotating. So, it would have depended a lot on the
22 number of months and things. So, it's pretty
23 convoluted. So, it should have been -- we should have
24 started to bill those out shortly after that, you know,

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[WITNESS: Mason]

1 the order from the Commission.

2 Q. Do you bill on a monthly basis? Quarterly basis?

3 A. It's a quarterly basis, but it rotates, so that we have
4 something coming in every month.

5 Q. Of the approximately 1,600 customers that Lakes Region
6 serves, how many bills are issued each month then on
7 the -- for the quarterly billing?

8 A. Well, it would be -- it all depends on the month. It's
9 by divisions. So, some are -- there's some that are
10 quite a bit bigger than others, just because of the
11 fact that some of the divisions are bigger. So, it's
12 not a number that I can produce right now. I could
13 find out definitely.

14 Q. Okay. Do you have an opinion as to whether the
15 temporary rates improved Lakes Region's cash crunch?

16 A. Oh, definitely.

17 Q. And, are you aware that Jayson Laflamme of Staff has
18 recommended a permanent rate increase of just over
19 18 percent?

20 A. Yes, I am.

21 Q. So, would you agree that that permanent rate increase
22 would help Lakes Region's cash crunch?

23 A. Anything would help. It's not the answer. But it's --
24 any little bit of help is a help.

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[WITNESS: Mason]

1 Q. I would like to just turn to the Final Audit Report, if
2 you still have that in front of you?

3 A. Yes.

4 Q. And have you turn to Page 31. And, under the "Issue"
5 section, it says "Late payment fees totaling \$12,921
6 were posted."

7 A. Correct.

8 Q. Do you see that? How much in late fees is Lakes Region
9 paying currently?

10 A. Again, I would have to get that information for you.

11 Q. I think you testified on Day 1 of the hearing that
12 "Lakes Region is paying late fees." Do you recall
13 that?

14 A. I'm sure they still are.

15 Q. Now, some of the accounts payable are owed to an
16 affiliate, LRW Water Services, is that correct?

17 A. A very small amount at this point. I believe it's only
18 currently \$3,500.

19 Q. Okay. Last week we were going over a document that was
20 LRW Exhibit 14, and it was the "Revised Mount Roberts
21 Schedule Proposal".

22 A. Okay.

23 Q. And, I believe you had testified that LRW is performing
24 some of the work in association with this permit

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[WITNESS: Mason]

1 application, is that correct?

2 A. Right.

3 Q. What kind of work will LRW be doing?

4 A. We'll install the pipe, the water main, from the tank,
5 up to the new well field, whatever sitework it needs
6 for the, you know, for the project. And, that's pretty
7 much it.

8 Q. And, I think last week we also, in this discussion or
9 question and answer between you and I, were looking at
10 your testimony, Exhibit E. And, I'm on Page 32. And,
11 you had a line item of "\$65,000" for Paradise Shores?

12 A. Correct.

13 Q. Do you recall that?

14 A. Yes.

15 Q. And, is that 65,000 about what LRW expects to receive
16 for the work for this permit application?

17 A. Oh, no. No. That's inclusive of the power company,
18 which I believe was 19,5, plus the meters, plus some
19 plumbing. I'd have to go over the list. Jake put that
20 together. Actually, I didn't. But that's the rough
21 list.

22 Q. Okay. I also -- or, do you recall, on Day 1 of the
23 testimony, when I asked you "how was Lakes Region
24 paying for the \$65,000?", your answer was you "didn't

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[WITNESS: Mason]

1 know." Is that still the same answer?

2 A. Until we -- yes.

3 Q. Okay. And, do you have a guesstimate then, of this
4 65,000, how much is going to be paid to LRW?

5 A. Oh, it's basically the pipeline, some sitework.
6 Probably, again, it wouldn't be paid immediately,
7 anyways, it would be over who knows when. But probably
8 looking at maybe 20,000 of it, for the pipeline and
9 sitework.

10 Q. Okay. Now, you mentioned payment of, I think, "who
11 knows when" of about 20,000 to LRW?

12 A. Right.

13 Q. At some point, would this monies owed constitute a loan
14 from LRW to Lakes Region?

15 A. Well, I know if it would be a loan. It's just, what
16 I've always done is just put the bill together, and it
17 just basically sits there, and they pick at it when
18 they can. You know, maybe a thousand dollars every
19 once in a while, or two. That's been the scenario for
20 many years now. Just to kind of, you know, bill them,
21 and then interest-free, and then they just pick at it
22 when they can.

23 Q. Okay. With respect to this Exhibit E, "Capital
24 Projects", and it goes on in the next couple of

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[WITNESS: Mason]

1 pages with projects designated by year, is there a
2 parallel --

3 A. I'm not sure where you're looking.

4 Q. I'm in Exhibit E of your testimony.

5 A. Okay.

6 Q. And, it's Pages 32, 33, --

7 A. Okay.

8 Q. -- if you have it sequentially numbered?

9 A. Yes. Got it.

10 Q. Would these projects, and the years, I'm looking for a
11 companion of when Lakes Region will be coming in for
12 rate cases for these projects. Does such a plan exist?

13 A. I don't think there is yet, just because we're not
14 really on -- we haven't quite gotten that far. We're,
15 obviously, going to come in as quick as we can to try
16 to get, you know, maybe through step increases or rate
17 cases, whatever we have to do to stay on top of it.

18 Q. So, no specific years for rate cases are planned at
19 this point?

20 A. No.

21 Q. With respect to paying the \$65,000, is there also no
22 plan in place for paying this or seeking rate relief to
23 cover this?

24 A. I think that's one of the -- so much depends on what

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[WITNESS: Mason]

1 happens with Suissevale. Whether, you know, what we're
2 going to be able to do. And, I think it's a moving
3 target at the minute. How we're going to -- how that's
4 going to impact us, whether Suissevale is going to help
5 with that, or what's going to happen.

6 Q. I know there's been a ruling on START not being a
7 substantive issue for this hearing. But is -- my line
8 of questioning relates to Lakes Region's planning, when
9 you're going to be coming in and seeking rate relief.
10 I've asked you a question about rate cases, and the
11 answer was "no". So, my question is, would START
12 proposal be something Lakes Region will be looking for
13 for funding the capital projects?

14 A. I would think so.

15 Q. Okay. Now, would this \$20,000 amount that LRW will be
16 paying out of its pocket for the Lakes Region Water
17 Company project, there's no plan to seek any financing
18 approval for that arrangement? Is that correct?

19 A. I didn't really consider it "financing". You know,
20 we've been kind of doing the same thing for years.
21 It's just a bill that sits there, interest-free, until
22 they can pay it. So, no, I didn't really -- I guess I
23 could look at it that way, but I haven't.

24 Q. Okay. I'm going to change to a different topic at this

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[WITNESS: Mason]

1 point. I'm still with your testimony.

2 A. Okay.

3 Q. And, Exhibit D, I believe, is the New Hampshire
4 Business Finance Authority letter. I'd like to draw
5 your attention to that.

6 A. What's the page number on it?

7 Q. And, I'm looking at Page --

8 A. Oh, I've got it. The BFA. Okay.

9 Q. I'm looking at Page 4 of Exhibit D. And, the last
10 paragraph references "existing monies owed NHDES". Do
11 you see that?

12 A. Correct. Yes.

13 Q. But I can't recall if it's -- oh. Turning back on Page
14 2, third paragraph from the bottom, last sentence
15 states that "it is learned that LRWC is delinquent on
16 about \$4,500 in lab fees to NHDES." Do you see that?

17 A. Yes, I do.

18 Q. Now, they're characterized as "lab fees". Would you
19 agree that these were fees associated with Letters of
20 Deficiency or Notices of Violation?

21 A. No. They were just lab fees. They were literally
22 testing fees.

23 Q. They weren't Permit to Operate fees?

24 A. I don't believe so. I think they were mostly lab fees.

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[WITNESS: Mason]

1 Just I'd have to look back to make sure, but I would --

2 Q. Well, I have a document that might refresh your
3 recollection on it.

4 (Atty. Thunberg distributing documents.)

5 BY MS. THUNBERG:

6 Q. Mr. Mason, I'd like to have you identify these pages
7 that have been stapled together for the record.

8 A. They are "Notices of Violation".

9 Q. Now, these Notices of Violation are for various
10 systems, would you agree?

11 A. Yes.

12 CHAIRMAN IGNATIUS: Before you get into
13 this, are you asking this to be marked as an exhibit?

14 MS. THUNBERG: Thank you, Chairman
15 Ignatius. Yes, I'd like to have this marked as a Staff
16 Advocate witness -- exhibit.

17 CHAIRMAN IGNATIUS: Is there any
18 objection to marking it for identification?

19 MR. RICHARDSON: No.

20 CHAIRMAN IGNATIUS: Seeing none, Staff
21 Advocate --

22 MS. HOWARD-PIKE: Number 5.

23 CHAIRMAN IGNATIUS: -- 5. Thank you.

24 (The document, as described, was

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1 herewith marked as **Exhibit Staff**
2 **Advocate 5** for identification.)

3 BY MS. THUNBERG:

4 Q. Now, Mr. Mason, the top page is for Deer Run, in
5 Campton, would you agree?

6 A. Yes.

7 Q. And, it shows a "failure to obtain a permit to
8 operate", and notes a "\$300 fee". Do you agree with
9 that?

10 A. Yes, I do.

11 Q. And, subject to check, would you agree that there are
12 15 of these Notices of Violation?

13 A. Subject to check, yes.

14 Q. And, if I were to multiply 15 times 300, I come out to
15 4,500, which would you agree with that, subject to
16 check?

17 A. Yes. Yes.

18 Q. So, in June of 2009, we have Notice of Violations for
19 the permit to operate these totaling 4,500. And, I
20 look to the New Hampshire Business Finance Authority
21 quote -- letter also quoting \$4,500 fees to DES. Do
22 you have an opinion as to whether these are one in the
23 same or two different fees?

24 A. I do not know the answer to that.

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[WITNESS: Mason]

1 Q. Okay.

2 A. It seems odd that they're the same number. But the way
3 I read it is "lab fees" would be the cost of testing.

4 Q. Okay. How current is Lakes Region Water Company in
5 paying its DES fees?

6 A. I believe we're up-to-date. At the time when this was
7 all going on, we were going through the whole issues in
8 2007. I had just taken over the Company. And, I
9 believe it took me a while to get everything caught up
10 and figured out.

11 Q. Now, I'd like to touch upon the personal guarantee that
12 you mentioned was requested for the SRF loan?

13 A. Correct.

14 Q. Who was to provide the personal guarantee?

15 A. My parents.

16 Q. Was the personal guarantee a surprise to you?

17 A. It wasn't a surprise, other than my parents had always
18 done that. I personally wouldn't have done that, just
19 because I don't believe that -- I don't believe that it
20 makes sense.

21 Q. Okay. The SRF funds, the 1.5 million, had a number of
22 projects that it was going to fund?

23 A. Uh-huh.

24 Q. One of those projects, would you agree, was that

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[WITNESS: Mason]

1 uranium treatment system for Tamworth?

2 A. Correct.

3 Q. And, was one of the projects also to replace a 30
4 year-old Woodland Grove pump station in Conway?

5 A. Correct.

6 Q. And, also to replace water mains in the Gunstock
7 Glen/Brake Hill area in Gilford?

8 A. Yes. Uh-huh.

9 Q. To also perform some work in Echo Lake Woods?

10 A. Yes.

11 Q. And, in 175 Estates?

12 A. Uh-huh. Yes.

13 Q. Meters for 175 Estates in Tamworth?

14 A. Right.

15 Q. Would you agree? Great recollection on the projects.

16 Can you tell me, since these projects were not funded
17 with SRF funds, have these been completed, these
18 projects?

19 A. The only one, the Woodland Grove pump station is under
20 construction now at a much smaller scale. But it is
21 under construction with some treatment up there that
22 were required to do. Other than that, none of those
23 projects are being done presently.

24 Q. Now, when you say "treatment", is this water treatment?

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[WITNESS: Mason]

1 A. Yes. Lead and copper problems.

2 Q. And, when you have added treatment, such as for lead
3 and copper, does that increase your DES lab fees?

4 A. Does it increase? I can't see it would be of any
5 amount.

6 Q. Back to the projects, are there any that are not --
7 that have not been done?

8 A. The majority of them. The only one that has been -- is
9 under construction presently is the Woodland Grove pump
10 station.

11 Q. What about the uranium treatment for Tamworth?

12 A. No. We ended up working on the existing well. And, we
13 were just -- we were putting that in as a backup
14 system. That was our idea, is to put in treatment for
15 that uranium well as kind of a backup deal.

16 Q. So, would it be fair for me to characterize that, even
17 though the uranium treatment system in Tamworth was
18 listed for SRF funding, that you've resolved the issue,
19 but with a different project?

20 A. Yes.

21 Q. Okay. And, so, then the water main replacement in
22 Gunstock Glen and Brake Hill has not been done?

23 A. No.

24 Q. Is that critical?

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[WITNESS: Mason]

1 A. No.

2 Q. And, the Echo Lake Woods project has not been done?

3 A. No.

4 Q. And, the 175 Estates work has not been done?

5 A. No.

6 Q. And, metering has not been done, correct?

7 A. Correct. All the -- when ARRA, just to give you a
8 little history on ARRA, when it came out, basically, it
9 was for shovel-ready jobs that were almost like a "wish
10 list" deal. Where you kind of took a stab at it, drive
11 by, look at a project, and ask for that type of money,
12 and then went from there. A lot of these things were
13 projects that we, you know, we would like to have done,
14 but were more of a "wish list" type project list, than
15 necessity.

16 Q. Now, DES has a standing SRF fund, correct?

17 A. Correct.

18 Q. And, ARRA was a special infusion of funds to SRF, is
19 that correct?

20 A. Yes.

21 Q. So, at any time, Lakes Region can seek SRF funding,
22 correct?

23 A. Yes.

24 Q. In theory?

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[WITNESS: Mason]

1 A. Yes. Yes.

2 Q. And, SRF financing, are you aware that it can include a
3 50 percent loan forgiveness?

4 A. Yes. Unlikely for most of our systems, because we have
5 so many second homes. It's hard to have a --
6 basically, a second home community that's eligible for
7 any forgiveness.

8 Q. Okay.

9 A. Under privileged second home, I guess, but --

10 Q. Is SRF financing at very low rates, in your opinion?

11 A. I believe it's around 3 percent.

12 Q. And, is 3 percent a interest rate that Lakes Region can
13 get through any banks?

14 A. No.

15 Q. Would you agree that SRF financing is very beneficial
16 to customers because of the low interest rate?

17 A. Oh, on the surface, it's definitely a great deal for
18 the customers. Just doesn't, you know, because of the
19 asset lives, it's hard for a company to pay the note
20 back.

21 Oh. And, by the way, Adam Torrey is
22 here today from the DES, and he's in charge of the SRF
23 Program, in the back of the room. And, after Sarah was
24 here the other day, you know, to listen, we did -- they

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[WITNESS: Mason]

1 did make some inquiries, and it appears that they're
2 going to be able to lengthen the length of the notes to
3 30 years for small utilities. They offered that to us
4 this week verbally.

5 Q. Okay. I'd like to draw your attention back to the
6 07-105 Settlement Agreement.

7 A. Okay.

8 Q. And, on Page 3, Paragraph C, "Managerial Capability".

9 A. Yes.

10 Q. And, second line says "Lakes Region has reorganized its
11 management." Do you see that?

12 A. Correct.

13 Q. And, it also states that Tom Mason, Jr. has been
14 appointed "position of vice president"?

15 A. At the time, it was.

16 Q. Okay. When did you become -- well, you're president
17 now, right?

18 A. Yes.

19 Q. Were you Acting President for a period of time?

20 A. Yeah. When this whole thing started in 2007, I
21 basically took over control of the company. And, for a
22 period of time, basically, I was the vice president,
23 and shortly after that, I don't know what year it was,
24 but it was shortly after that, I took over as

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1 president, when my dad retired completely.

2 (Atty. Thunberg distributing documents.)

3 MS. THUNBERG: I'd like to mark this
4 document for identification.

5 BY MS. THUNBERG:

6 Q. Mr. Mason, would you agree that this document dated
7 March 16th, 2010 announces that you've been appointed
8 as Acting President?

9 A. Yes.

10 CHAIRMAN IGNATIUS: Is there any
11 objection to this being marked for identification?

12 MR. RICHARDSON: None.

13 CHAIRMAN IGNATIUS: It will be "Staff
14 Advocate 6".

15 MS. HOWARD-PIKE: Six.

16 (The document, as described, was
17 herewith marked as **Exhibit Staff**
18 **Advocate 6** for identification.)

19 BY MS. THUNBERG:

20 Q. Now, on this document, it indicates that the Board of
21 Directors had met and appointed you as Acting
22 President?

23 A. Yes.

24 Q. Do you know who the Board of Directors were at the

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[WITNESS: Mason]

1 time?

2 A. They would have been my two sisters, Amy and Susan
3 Mason, and I believe -- I believe my mother, but I'm
4 not sure.

5 Q. What office -- you said your sister Susan is on the
6 Board of Directors. Do you know what office she holds?

7 A. I do not, off the top of my head.

8 Q. I believe the annual reports, on Page 4, may show this.

9 A. Okay.

10 Q. Mr. Mason, could you look at the 2008 Annual Report,
11 and look -- we'll start with this chronologically.

12 A. Okay.

13 Q. And, on Page 4, it shows "Directors". And, who's
14 listed there?

15 A. I'm sorry, I have the wrong --

16 Q. It's going to be Form A-4.

17 A. I can't seem to find that page. I don't know if mine
18 happens to be missing it or what the deal is.

19 MS. THUNBERG: I'm going to give Mr.
20 Mason some excerpts that I photocopied. And, I'd be happy
21 to mark this as an exhibit, so we can keep track of these
22 papers. And, I have multiple copies.

23 CHAIRMAN IGNATIUS: Before you do that,
24 can you just explain to me why who the Board of Directors

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[WITNESS: Mason]

1 is in 2008 is relevant?

2 MS. THUNBERG: In the Settlement
3 Agreement in 07-105, there was supposed to be a change in
4 management. And, the Board of Directors have a say in who
5 the management is. The Board of Directors have changed
6 and some have not changed over the course of the years.
7 And, I wanted to ask the influence of certain directors.

8 CHAIRMAN IGNATIUS: All right. Go
9 ahead.

10 (Atty. Thunberg distributing documents.)

11 CMSR. HARRINGTON: This is from which
12 report?

13 MS. THUNBERG: This is excerpts from the
14 2008 Annual Report.

15 CHAIRMAN IGNATIUS: Is there any
16 objection to this being marked for identification?

17 (No verbal response)

18 CHAIRMAN IGNATIUS: Seeing none, Staff
19 Advocate Exhibit 7.

20 (The document, as described, was
21 herewith marked as **Exhibit Staff**
22 **Advocate 7** for identification.)

23 BY MS. THUNBERG:

24 Q. Now, Mr. Mason, on Page -- well, I guess it's Page 2 of

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[WITNESS: Mason]

1 this collection of documents, but it's listed as "Page
2 4". "A-4 List of Officers", do you see that?

3 A. Yes, I do.

4 Q. And, it shows the "President" as "Thomas A. Mason"?

5 A. Yes.

6 Q. And, "Vice President Thomas A. Mason, Jr."?

7 A. Uh-huh.

8 Q. And, can you just please explain for the record, when
9 we have to two "Thomas A. Mason", who's who?

10 A. I am "Thomas Albert Mason" and my dad is "Thomas Adam
11 Mason". I'm actually not a "Junior", but --

12 Q. So, the designation is just for help clarifying?

13 A. Yeah. Exactly.

14 Q. Thank you. And, the directors at the time are just
15 your parents, is that correct?

16 A. That's what this says, yes.

17 Q. Now, can you turn to the page -- the Annual Report for
18 2009, and if you can find those similar pages in that
19 annual report?

20 MR. RICHARDSON: I'm sorry, what
21 document are we looking at?

22 MS. THUNBERG: The 2009 Annual Report
23 that Mr. Mason has in front of him. It's that thick,
24 thick document that --

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[WITNESS: Mason]

1 MR. RICHARDSON: Oh. Okay. So, it's
2 not this document that you just gave me?

3 MS. THUNBERG: No. I handed these
4 excerpts for ease of finding the pages, since Mr. Mason
5 couldn't find them at the time.

6 BY MS. THUNBERG:

7 Q. But, Mr. Mason, have you found that schedule?

8 A. Yes, I have.

9 Q. And, the directors have been expanded, is that correct?

10 A. Yes.

11 Q. To include your sisters Susan and Amy?

12 A. Correct.

13 Q. And, in 2009, this "Thomas Adam Mason", that's your
14 father?

15 A. Right.

16 Q. What was the state of his mental capabilities in 2009?

17 A. In 2009, it was -- he was in and out of the hospital a
18 lot in 2009.

19 Q. You said he's in a nursing home right now?

20 A. Yes. He has been for quite some time.

21 Q. And, I'm trying to pin down "quite some time". Do you
22 know which years?

23 A. Oh, God. He's been -- well, he's been in and out. I
24 mean, he was in for about six months, and then he came

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[WITNESS: Mason]

1 home for a couple weeks, and then he broke his hip, so
2 he was back again. So, at least the majority of the
3 last two years.

4 MR. RICHARDSON: I'd like to at least
5 ask the question, I don't know if "objection" is the right
6 word. But I'm under the understanding that, from reading
7 Staff's testimony, that their concerns were "access to
8 capital". What this appears to be going towards is
9 whether or not the Company has complied with the
10 management change that was required as part of the
11 Settlement Agreement. It's not anywhere in testimony. I
12 don't have the document even in front of me. So, I can't
13 do redirect. And, I'm at a loss as to figure out why this
14 is relevant in this case. I didn't come in preparing to
15 do a presentation about who was president when or vice
16 president, and I don't know why we need to focus on that
17 here.

18 CHAIRMAN IGNATIUS: Ms. Thunberg?

19 MS. THUNBERG: This line of questioning
20 is relevant, because this is a combined docket that
21 includes a hearing for a combined docket. It's a merits
22 hearing on 07-105. The reply testimony puts forth
23 evidence that the Company still has the managerial,
24 technical, financial capabilities. And, my line of

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1 questioning is on the management aspect of Lakes Region's
2 capabilities.

3 CHAIRMAN IGNATIUS: I'm inclined to
4 agree with you. The Staff testimony talked about -- the
5 Staff Advocate testimony talked about a recommendation of
6 different management, and even possible sale of the
7 company. Your reply testimony gets at some of that. It
8 seems to be relevant. We should continue.

9 MS. THUNBERG: I don't have very few
10 more -- many more questions on this line.

11 BY MS. THUNBERG:

12 Q. But, Mr. Mason, for the 2010 Annual Report, the Board
13 of Directors have stayed the same, is that correct?

14 A. Yes.

15 Q. And, with your testimony that Mr. -- that your father
16 has been in the nursing home, is he still, in your
17 opinion, does he have the mental capacity to be a board
18 of director?

19 A. He's not involved. So, he's not -- technically,
20 probably needs to be removed from being a board of
21 director, just because he has no involvement anymore,
22 because of his age and where he is.

23 Q. Fair enough. The Board of Directors can fire you as
24 president, correct?

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[WITNESS: Mason]

1 A. I believe so.

2 Q. And, to do so, the directors would need a quorum?

3 A. I guess, yes.

4 Q. Okay. And, your mother is listed as a director,
5 correct?

6 A. Yes.

7 Q. And, what is your opinion on her mental capacity to
8 serve as a Board of Director -- or, on the Board of
9 Directors?

10 A. Neither -- my mom has no interest either. She's pretty
11 much home-bound at this point, too. Both of them would
12 be more than willing to not be a board of director. I
13 don't even know if they know that they still are, to
14 tell you the truth. And, that's not a problem. I can
15 definitely change that around.

16 CHAIRMAN IGNATIUS: But, Mr. Mason, --

17 MS. THUNBERG: Okay.

18 CHAIRMAN IGNATIUS: -- I'm getting
19 concerned about the questions and the answers, and make
20 sure you're looking at the right document, which is a
21 sworn document under oath.

22 WITNESS MASON: Okay. Well, --

23 CHAIRMAN IGNATIUS: Before you get
24 yourself in any further, I'm misunderstanding.

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1 WITNESS MASON: No, no. I don't
2 understand the question, I guess.

3 CHAIRMAN IGNATIUS: Take a look at
4 Exhibit 8 presented by your witness -- your counsel.

5 WITNESS MASON: It would be --

6 CHAIRMAN IGNATIUS: The 2010 Annual
7 Report.

8 WITNESS MASON: Okay. So, 2010.

9 CHAIRMAN IGNATIUS: Page 4.

10 WITNESS MASON: Maybe I'm not
11 understanding.

12 CHAIRMAN IGNATIUS: And, the "List of
13 Directors" includes "Thomas Adam Mason". That's your
14 father?

15 WITNESS MASON: Correct.

16 CHAIRMAN IGNATIUS: It lists him as
17 "attending 3 meetings". And, your testimony was "he
18 probably doesn't even know he's a director." So, why
19 don't you think about this --

20 WITNESS MASON: Not -- I'm sorry. I
21 mean, back in 2010, he was at home some of the time. So,
22 I'm sure, it's a family business, so, when my sisters come
23 up, one of them lives out of state, we all got together at
24 several different times during the year and talked about

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1 it. I'm sure that's what happened. It wasn't, I don't
2 know, official, I guess it's official in that sense. My
3 sister took notes and things like that. I'm sure he was,
4 you know, there at the meeting.

5 CHAIRMAN IGNATIUS: Thank you.

6 BY MS. THUNBERG:

7 Q. Mr. Mason, I have no question on the "directors"
8 portion at this point. The annual reports list two
9 shareholders, is that correct?

10 A. Yes. Both my parents.

11 Q. Both your parents. And, do you know if, as
12 shareholders, they are willing to invest in Lakes
13 Region going forward?

14 A. At the present time, I doubt it.

15 Q. At the present -- your statement was "at the present
16 time, [you] doubt it." Is there a qualification?

17 A. They had some money that they were investing in it that
18 was from a sale of a piece of property in Mass. But,
19 at the present time, that sale has moved forward
20 somewhat, but isn't complete. So, it is not -- that
21 money isn't available at the minute. If it -- when it
22 becomes available, I'm sure they will invest some of
23 it.

24 Q. I'd like to move on to questions about affiliate

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[WITNESS: Mason]

1 agreements, because that's one of the dockets that's
2 noticed at this hearing.

3 CHAIRMAN IGNATIUS: Ms. Thunberg, before
4 you begin a new area, it's 10:40. I think, for the court
5 reporter's sake, we should take a break for ten minutes.
6 So, if this is a good stopping time, come back at 10:50.
7 Thank you.

8 (Whereupon a recess was taken at 10:42
9 a.m. and the hearing reconvened at 10:59
10 a.m.)

11 CHAIRMAN IGNATIUS: All right. We are
12 resuming the testimony of Mr. Mason and cross-examination
13 by the Staff Advocates.

14 BY MS. THUNBERG:

15 Q. Mr. Mason, I just want to clarify one question -- or,
16 answer that you had answered prior to the break. Did
17 you mention that your folks or that your father has a
18 power of attorney that's been set up?

19 A. I believe at this point he does.

20 Q. Do you know --

21 A. I don't know that I mentioned that, but he does.

22 Q. Do you know who he has as a power of attorney?

23 A. I believe it's one of my two sisters.

24 Q. All right. I'd like to move onto the affiliate

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[WITNESS: Mason]

1 agreement docket. Do you have a copy of the --

2 A. I don't.

3 Q. Okay. It's LRW Exhibit 10.

4 MS. THUNBERG: And, I'd like to,
5 Chairman Ignatius, I'd like to add two more documents for
6 them to be marked as exhibits, that relate to the
7 affiliate agreements.

8 (Atty. Richardson handing document to
9 Witness Mason.)

10 (Atty. Thunberg distributing documents.)

11 CHAIRMAN IGNATIUS: Can you describe
12 what these are when you're done distributing them?

13 MS. THUNBERG: I would like to also give
14 you two documents. One is an Exhibit 6 in DW 08-070, that
15 has a 2008 affiliate agreement attached to it. And, I'd
16 also like to give you a document entitled "Affiliate
17 Agreement" that's dated April 1st, 2009.

18 CHAIRMAN IGNATIUS: Is there any
19 objection to either of these being marked as exhibits for
20 identification?

21 MR. RICHARDSON: No. I'm not clear
22 which document is which exhibit though.

23 CHAIRMAN IGNATIUS: All right. Just
24 taking them in order of the years they were entered into,

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[WITNESS: Mason]

1 the one that shows "Exhibit 6", but, in fact, that's from
2 another case, from -- well, actually, you had said,
3 Commissioner -- Ms. Thunberg, that it was from 2006, but
4 it looks like it's dated "10/27/2008"?

5 MS. THUNBERG: It's "Exhibit 6", but,
6 correct, it would be probably easy to mark the August 2008
7 Affiliate Agreement as the first exhibit that I just
8 handed out, and then the April 2009 Affiliate Agreement as
9 the second exhibit.

10 CHAIRMAN IGNATIUS: All right. So, the
11 2008 document will be "Staff Advocate 8".

12 MS. HOWARD-PIKE: Yes.

13 (The document, as described, was
14 herewith marked as **Exhibit Staff**
15 **Advocate 8** for identification.)

16 CHAIRMAN IGNATIUS: And, the 2009 is
17 "Staff Advocate 9".

18 (The document, as described, was
19 herewith marked as **Exhibit Staff**
20 **Advocate 9** for identification.)

21 MR. RICHARDSON: Is it my -- I thought
22 we already had the annual reports was "Staff Advocate 8"?
23 That's what I wrote, but I may have missed it.

24 CHAIRMAN IGNATIUS: I had that as "7".

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[WITNESS: Mason]

1 MR. RICHARDSON: Okay. That's "7".

2 Okay. I'll remark mine. Thank you.

3 BY MS. THUNBERG:

4 Q. And, Mr. Mason, the affiliate agreement questions that
5 I have generate out of the Settlement Agreement in the
6 07-105 docket. And, do you have that settlement
7 agreement in front of you? And, if you --

8 A. I have it somewheres.

9 Q. And, if you could look at Page 3.

10 CMSR. HARRINGTON: Which one now? Is it
11 Exhibit 8, on Page 3? I've got two of them.

12 MS. THUNBERG: I guess I'm reading from
13 LRW 12, Settlement Agreement.

14 CMSR. HARRINGTON: Oh. Okay.

15 MS. THUNBERG: I have the Settlement
16 Agreement in Docket 07-105 that I'm referring to right
17 now.

18 CMSR. HARRINGTON: That's 12. All
19 right.

20 BY MS. THUNBERG:

21 Q. Mr. Mason, are you on Page 3?

22 A. I believe so.

23 Q. Okay. First paragraph, last sentence says "Lakes
24 Region agrees to submit the new contract to the

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[WITNESS: Mason]

1 Commission pursuant to RSA 366 upon its execution, by
2 July 15th, 2008."

3 A. Okay. Yes.

4 Q. You agree with that?

5 A. I do.

6 Q. And, what that sentence is referring to is an affiliate
7 agreement, correct?

8 A. Yes.

9 Q. And, that affiliate agreement is between Lakes Region
10 Water Company and your Service Corp., LRW Water
11 Services, is that correct?

12 A. Correct. Yes.

13 Q. Now, I've given you a copy of the August 1st, 2008
14 Affiliate Agreement. And, I guess this date, at the
15 very top part of the Affiliate Agreement, it says
16 "Agreement, effective the 1st day of August 2008"?

17 A. Uh-huh.

18 Q. And, the next agreement is -- the top line reads
19 "effective the 1st day of April 1st, 2009"?

20 A. Oh. Okay.

21 Q. And, a question to you about, out of the three
22 affiliate agreements in front of you, only LRW
23 Exhibit 10 was actually filed with the Commission for
24 approval, is that correct?

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[WITNESS: Mason]

1 A. I'm on Exhibit 10, which is -- this is Exhibit 6.
2 Which one's 10?

3 Q. I just realized that Lakes Region Water Exhibit 10 is
4 signed February 15th at 2010, even though it is
5 effective April 1st, 2009. On Staff Advocate Exhibit,
6 I believe it's 9, also has a April 1st date, but it's
7 signed in April of 2009. So, do you have three
8 documents in front of you?

9 A. I have the three. Exhibit 10, okay. Okay. Exhibit 10
10 is "Affiliate Agreement". Okay. I have that in front
11 of me.

12 Q. So, my question to you is, the Affiliate Agreements
13 that were signed back in October of 2008 and then the
14 other document signed in April of 2009, those were not
15 the subject of an affiliate agreement docket before the
16 Commission, correct?

17 A. No, I believe you're right.

18 Q. So, only the document dated "February 15th, 2010" was
19 filed for approval pursuant to RSA 366?

20 A. Correct.

21 Q. Okay.

22 CHAIRMAN IGNATIUS: Ms. Thunberg, just
23 for clarity, since we went through the trouble of giving
24 these all exhibit numbers, can you just do that, rather

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[WITNESS: Mason]

1 than by the dates, which of the three exhibits have been
2 submitted, in your view, have been submitted to the
3 Commission for approval and which have not?

4 MS. THUNBERG: I got the numbering
5 correct. Staff Advocate 8 is the August 2008 document?

6 CHAIRMAN IGNATIUS: Yes.

7 MS. THUNBERG: And Staff Advocate 9.
8 The question was, "is it that LRW Exhibit 10 was the only
9 affiliate agreement out of these three that has been filed
10 pursuant -- for approval pursuant to RSA 366?"

11 CHAIRMAN IGNATIUS: And, the answer is
12 "that's correct". It's the only --

13 WITNESS MASON: Yes. That's correct.

14 CHAIRMAN IGNATIUS: Thank you.

15 BY MS. THUNBERG:

16 Q. And, looking at the document that's dated in 2008, that
17 has your father signing on behalf of Lakes Region Water
18 Company, is that correct?

19 A. Yes.

20 Q. And, you sign on behalf of LRW Water Services?

21 A. Right.

22 Q. And, then, in -- the signature that's dated "April 1st,
23 2009", do you see that affiliate agreement?

24 A. Sure.

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[WITNESS: Mason]

1 Q. It's on Staff Advocate Exhibit 9?

2 A. Yeah.

3 Q. And, who are the signatures? At the top is "Barbara",
4 is that correct?

5 A. I guess I'm confused on where you are. On Affiliate
6 Agreement of April of 2009? Yes, that says "Barbara G.
7 Mason".

8 Q. And, is that your father's signature?

9 A. Yes.

10 Q. And, I'm making it out, is this your sister, Susan, who
11 has also signed?

12 A. Right. And, my other sister, Amy, at the bottom.

13 Q. So, with Susan and Amy signing, is this when they were
14 acting as a power of attorney for your father?

15 A. I don't believe it. I think it was just we were all
16 together for a meeting, and this came up, and everybody
17 signed it, if I remember correctly.

18 Q. Fair enough.

19 A. I think the power of attorney thing is fairly new,
20 within the last eight to ten months.

21 Q. Are you familiar with the statute that requires
22 affiliate agreements be filed ten days from the date of
23 execution?

24 A. I was not.

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[WITNESS: Mason]

1 Q. I'm turning back to the 07-105 Settlement Agreement
2 document.

3 MR. PATCH: Chairman Ignatius, I just
4 have a question, before leaving the affiliate agreements,
5 I'm just a little confused. I don't know if anybody else
6 is. But we have two different April 1st -- April 1st,
7 2009 agreements in the record. One is LRW Exhibit 10, and
8 that's signed by Tom, Jr. in both places. And, then, we
9 have April 1st, 2009 Affiliate Agreement between the same
10 two entities, Staff Advocate Number 9, that's signed by
11 different people. So, I just want to make sure I
12 understand. Is there some reason that that's the case?
13 And, is that something that Staff is going to go into? I
14 just am confused by that.

15 CHAIRMAN IGNATIUS: And, if not, you're
16 welcome to on cross-examination. But, if there is a
17 simple answer to it, they have different dates. And,
18 whether there are different signature dates, as opposed to
19 the types of dates, if there's an easy answer to it, let's
20 hear it. If not, you can explore that, Mr. Patch. Well,
21 Mr. Mason, is there an easy answer to why two things are
22 typed "April 1st, 2009", but appear to be signed two
23 different years apart, or one year apart?

24 WITNESS MASON: I don't know the answer

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[WITNESS: Mason]

1 to that.

2 MR. PATCH: I mean, is one a valid
3 agreement and the other not? I don't -- I just am
4 confused.

5 WITNESS MASON: I think what we did is,
6 obviously, Staff had the original one. I think it was
7 kind of a work-in-progress, if I remember right, in that
8 we were -- it was something that came up during the period
9 when I took over the Company, about me owning one company
10 and doing work for the other one. And, I believe what
11 happened, if I remember correctly, was it was kind of
12 going back and forth between Staff and everybody that how
13 -- how this was going to work and how it was, you know,
14 going to be looked at, as far as in the future, like it is
15 today.

16 I don't remember the answer to why there
17 were two different ones and dated differently like that.
18 I just -- I remember a bunch of different scenarios that
19 we wrote up and stuff like that. And, I believe the only
20 one that we actually sent in officially was the 2/15/10
21 one.

22 CMSR. HARRINGTON: Excuse me, "15/10
23 one"?

24 WITNESS MASON: Oh. The number 10,

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[WITNESS: Mason]

1 Exhibit 10.

2 CHAIRMAN IGNATIUS: Commissioner
3 Harrington.

4 CMSR. HARRINGTON: You said the one that
5 was sent in was the one "LRW Exhibit 10"?

6 WITNESS MASON: Correct.

7 CMSR. HARRINGTON: And, is the correct
8 date on that then April -- first day of April 2009, even
9 though it was signed in February of 2010? Or, is that a
10 typo or something?

11 WITNESS MASON: I'm not sure of the
12 answer to that, why it had that date.

13 CHAIRMAN IGNATIUS: Mr. Patch, you can
14 inquire further later into that, if you wish.

15 MR. PATCH: I just wanted to point that
16 out. I don't necessarily have questions on that. But I
17 just -- I was confused. I didn't know if anybody else
18 was.

19 MS. THUNBERG: Okay. I'm going to move
20 onto another issue, if that's acceptable?

21 CHAIRMAN IGNATIUS: Please.

22 BY MS. THUNBERG:

23 Q. Mr. Mason, turning back to the Settlement Agreement in
24 07-105.

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[WITNESS: Mason]

1 A. Uh-huh.

2 Q. And, I'm on Page 3, and second paragraph. First
3 sentence says "As a second component of this change in
4 management, a bi-weekly management meeting is now in
5 place."

6 A. Uh-huh.

7 Q. Can you describe or can you answer whether those
8 bi-weekly management meetings still occur?

9 A. Do they still? No.

10 Q. Do you know when they stopped?

11 A. When my parents got, you know, got iller. And, they
12 were kind of hit-or-miss. And, not that I don't talk
13 to both of them, on a daily basis, I do -- I see them.
14 So, I mean, I do try to keep them up on what's going on
15 with the company.

16 Q. Okay. I'd like to move to Page 4 of the Settlement
17 Agreement. And, second -- well, it's the first full
18 paragraph, but it's the second blocked paragraph down.
19 Starts out with "As a fourth component"?

20 A. Yes.

21 Q. Do you see that? It states that Mr. Roberge, his time
22 will be "restructured". Do you see that?

23 A. Uh-huh. Yes.

24 Q. And, did Lakes Region restructure Mr. Roberge's time?

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[WITNESS: Mason]

1 A. Yes, we did.

2 Q. When did this happen?

3 A. I don't know the exact date, but it was part of this.
4 It was shortly after we were asked to do it. We made
5 an agreement on spending more time and kind of a change
6 in pay, because he was putting in a lot more hours.
7 So, we kind of got -- negotiated a rate that was a
8 little more favorable than his original one.

9 Q. When you say a "rate that's more favorable", was that a
10 rate more favorable to Lakes Region Water Company?

11 A. Yes.

12 Q. Thank you.

13 A. Yes. I'm sorry.

14 Q. Can you please describe the responsibilities, how they
15 changed from what Mr. Roberge used to do for Lakes
16 Region?

17 A. His duties used to be just lesser. I mean, did the --
18 he took care of the books on a monthly deal. And, we
19 would, you know, he would go over our books from the
20 people that were in our office at the time. What he
21 ended up doing, as we used him more after that, to
22 basically take care of the books and spend more time
23 doing reports, doing, you know, a lot of work on the
24 cases, and a lot more detail work.

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[WITNESS: Mason]

1 Q. Okay. You also hire Mr. St. Cyr for accounting work,
2 is that correct?

3 A. Not for accounting. All he does, basically, is help us
4 here at the PUC. And, he, right, does our annual
5 reports. But the majority of the detail is handed to
6 him by Norm Roberge, and then he puts it into a form
7 and brings it here.

8 Q. Okay. Is there any overlap in the responsibilities
9 with Mr. Roberge and Mr. St. Cyr?

10 A. I don't believe so. Very little.

11 Q. Who monitors how frequently Lakes Region should be
12 coming in for rate relief?

13 A. Well, pretty much, since I took over, we've been here
14 in rate relief, looking for rate relief. So, you know,
15 it's been an ongoing project. I suppose, once -- once,
16 hopefully, when we get rate relief on this case, we'll
17 look at it, we, as a group, as Norm, myself, Bob
18 Montville, I mean, Bob, that's kind of his forte is to
19 help us look to the future.

20 Q. Okay. Has it been Mr. Roberge's responsibility in the
21 past to monitor when Lakes Region should come in for a
22 rate case -- rate relief?

23 A. Well, he takes care of our books. I think it's always
24 been the Company, well, at the time my parents, but now

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[WITNESS: Mason]

1 myself, feels the need to do it. And, we work as a
2 company and try to come forward with it.

3 Q. Has Mr. Roberge had any say in the creation of the
4 Capital Improvements Plan?

5 A. He's worked on it. He hasn't really had any say in it,
6 *per se*. He has worked on putting it together. Most of
7 the Capital Improvement Plan has been generated by
8 myself and Jake Dawson.

9 Q. And, what contributions did he make to the plan?

10 A. He who?

11 Q. Mr. Roberge.

12 A. I couldn't tell you. I think he just, you know, has
13 put it into a form that we brought forward.

14 Q. Okay. Mr. Mason, in your reply testimony, you talk
15 about "resolving all but one Letter of Deficiency". Do
16 you recall that testimony?

17 A. Yes, I do.

18 Q. What is the status of the fifth Letter of Deficiency?

19 A. That is the Mount Roberts project. And, what has
20 happened at this point, we've had multiple meetings
21 with DES this spring, specifically, Sarah Pillsbury and
22 Steve Roy, in which we've kind of negotiated a Small
23 Well Withdrawal Permit, until, you know, for,
24 basically, a three year period, until we can figure out

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[WITNESS: Mason]

1 Suissevaley's role in the future. And, we've got an
2 approval on what we've done so far, and we're on
3 schedule, and we're proceeding ahead with it.

4 Q. With this LOD, this Mount Roberts LOD, do you know when
5 it was issued?

6 A. It's been -- I don't know the date.

7 Q. Last couple of years, perhaps?

8 A. Yes. Probably, I don't know, probably two years ago.
9 I'm just guessing.

10 Q. Fair enough. You mention a "outstanding administrative
11 order that has been resolved". Do you recall that
12 testimony in your reply testimony?

13 A. There was a whole bunch of administrative orders, I
14 believe, that were small issues that we resolved
15 everything, as far as I know, except for the LOD.

16 Q. Okay. And, the Mount Roberts LOD was not associated
17 with this administrative order?

18 A. I'm not sure which one you're talking about.

19 Q. I'm on Page 5, top, of your reply testimony. Beginning
20 on Page 4, it says "The Company", --

21 A. Oh. Sure.

22 Q. -- then, on Page 5, "has also resolved its only
23 outstanding" --

24 A. Where it says "Woodland Grove"? Is that where you're

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[WITNESS: Mason]

1 looking?

2 Q. I'm on Page 5 of your reply testimony. Line 1.

3 A. I'm not sure I have that particular AO.

4 Q. Well, you have your testimony, don't you?

5 A. I do. I do. But I can't find the section yet.

6 Q. And, I'm just on Page -- it's numbered "Page 5" at the
7 bottom.

8 A. I don't have any numbers. Oh, I'm sorry. No, I am in
9 the right section. Exhibit 12.

10 CMSR. HARRINGTON: No, it's not Exhibit
11 12.

12 WITNESS MASON: Oh.

13 CMSR. HARRINGTON: Six.

14 WITNESS MASON: Six. That's probably
15 why. Oh, I'm sorry.

16 MS. THUNBERG: If you don't have a copy,
17 I can get you one quickly.

18 WITNESS MASON: No, I got it. I got it.
19 I just didn't -- I had the wrong piece.

20 BY MS. THUNBERG:

21 Q. I'm merely asking, there's a reference in your
22 testimony on Page 5 to an administrative order, and I'm
23 just trying to understand, is it a separate project
24 from the Mount Roberts issue?

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[WITNESS: Mason]

1 A. Okay. Let me read here.

2 Q. If you don't know, --

3 A. I'm not sure what it was. I know that we've satisfied
4 all the -- we recently got a letter from the DES saying
5 that we didn't have any issues, other than the LOD for
6 Mount Roberts.

7 Q. Do you know when this administrative order was
8 resolved?

9 A. I don't even know what administrative order it is.

10 Q. Okay. All right. In Day 1 of the testimony, there was
11 an exhibit shown to you regarding the sentencing for
12 the Tamworth felony. Do you remember?

13 A. Yes.

14 Q. And, we had a discussion about suspension of two
15 \$50,000 portions of the penalty, do you remember that?

16 A. Yes, I do.

17 Q. And, would you agree that that suspension is contingent
18 upon compliance with DES and Commission requirements?

19 A. Yes.

20 Q. And, with this administrative order and the Mount
21 Roberts LOD, do you consider that you have been in a
22 instance of noncompliance with DES?

23 A. No.

24 Q. Okay. Next question is, with respect to that suspended

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[WITNESS: Mason]

1 portion of the fine, does Lakes Region believe that it
2 will -- that it has broken the condition?

3 A. Condition of the fine? No.

4 Q. Does Lakes Region believe it will need to make
5 arrangements to pay the remaining \$100,000 fine?

6 MR. RICHARDSON: Objection. Calls for
7 speculation.

8 CHAIRMAN IGNATIUS: Well, are you asking
9 his understanding of what the meaning of the fine is, the
10 meaning of the condition is?

11 MS. THUNBERG: Staff would like to know
12 whether Lakes Region has the funds available to pay the
13 second portion of the fine, should it come due?

14 CHAIRMAN IGNATIUS: All right. Is there
15 any objection to that question, Mr. Richardson?

16 MR. RICHARDSON: No.

17 **BY THE WITNESS:**

18 A. It would have to pay it the same way it did the first
19 section, which would be in \$3,300 increments.

20 BY MS. THUNBERG:

21 Q. With your understanding of the conditions around the
22 suspension, and that Lakes Region has had a recent LOD
23 and administrative order, do you have an opinion on the
24 likelihood of Lakes Region needing to pay that

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[WITNESS: Mason]

1 \$100,000?

2 A. Zero.

3 Q. Your opinion is "zero"?

4 A. I'm saying -- no, I'm saying there is zero percent,
5 yes. The way that was all put together and every else,
6 there would have had to have been a major problem,
7 according to the judge, when we settled -- when we went
8 through this. He wasn't, you know, he made it very
9 specific that he wasn't talking about, you know, little
10 items. That it would have to be a major problem.

11 Q. Mr. Mason, has Lakes Region paid for all of the
12 criminal and civil legal fees associated with the
13 Tamworth incident?

14 A. Have they paid for them all? I don't know the answer
15 to that.

16 Q. Do you know if such legal fees are in the accounts
17 payable, the present balance of accounts payable?

18 A. I don't know.

19 Q. In your testimony, your reply testimony, on Page 5, you
20 discuss that Lakes Region "engages in comprehensive
21 planning". Do you recall that testimony?

22 A. Yes.

23 Q. And, also, that you testified that "the problem is not
24 a lack of planning", is that correct?

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[WITNESS: Mason]

1 A. Yes.

2 Q. Can you tell me when Lakes Region first engaged in
3 comprehensive planning with respect to its construction
4 or Capital Improvement Plan?

5 A. As long as I've been around. You know, when I took
6 over the Company, that was one of the first things I
7 did was look at, you know, I hired a lot of people, for
8 the office, for everything. And, we looked at capital
9 improvements that were going to be needed, some that
10 need to be done in the future, and tried to kind of
11 rank those. Before that, when my dad was running it, I
12 really don't know the answer to that. I doubt it was
13 formal. I imagine he had a plan in mind, but probably
14 not a formal -- as much as formal as I've made it.

15 Q. In 2008, in September, there was a technical session
16 for the monitor -- in the monitoring phase of 07-105.
17 Did you attend those monitoring sessions?

18 A. I believe I attended all of them.

19 Q. And, if it was recorded in those technical sessions in
20 September and December that "Lakes Region had no
21 construction budget yet", would you have any -- do you
22 dispute if those statements are in the technical
23 session notes?

24 A. I don't know.

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[WITNESS: Mason]

1 Q. In 2008, would you have had some kind of comprehensive
2 plan for capital improvements?

3 A. I'm sure we were working on them at that point. We had
4 many, many technical sessions with Staff and OCA and
5 DES, in which we looked at all kinds of things. What
6 was happening, how, you know, what we were moving
7 forward with. At that point, I'm sure we were working
8 at coming up with something for a Capital Improvement
9 Plan. But, again, at the time, we were bailing out of
10 a pretty tough situation, with the court problems,
11 myself taking over the business, these meetings, and
12 multiple other, you know, issues. So, I'm sure we were
13 working towards that.

14 Q. And, for a construction budget, would you agree that
15 Lakes Region would have been working towards a
16 construction budget in 2008?

17 A. At that point, I believe we were probably still trying
18 to figure out what we needed to do. And, not so much a
19 budget, but more of "what is the priority list on where
20 we need to go with different projects?" I mean,
21 there's 17 different divisions. There's a lot of pump
22 stations, a lot of infrastructure out there.

23 Q. In 2009, with the New Hampshire Business Finance
24 Authority opinion on the SRF funding, and those

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[WITNESS: Mason]

1 projects Lakes Region was proposing, were any of those
2 projects part of this comprehensive planning, whether
3 it be informal planning or formal planning?

4 A. I'd have to look at the actual list again. I'm sure
5 that, at that point -- at that point, we were looking
6 for projects that we thought we could get funded.
7 There were certain projects that we knew probably were
8 not fundable, in 2009, like the Mount Roberts project,
9 because of the issues with the second home communities
10 and stuff. So, we had picked projects that were
11 probably fundable, with guidance from DES.

12 Q. You have your testimony in front of you?

13 A. I do.

14 Q. Can I have you turn to the first page of Exhibit D.
15 I'm just trying to refresh your recollection about the
16 projects.

17 A. Okay.

18 Q. Again, this is Exhibit D.

19 A. Sure.

20 Q. Page 1.

21 A. Yes. Yes.

22 Q. And, you see in the bottom the starting of the list of
23 the projects? "Echo Lake Woods", "Woodland Grove",
24 they're underlined?

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[WITNESS: Mason]

1 A. Yes. Exactly.

2 Q. Okay. So, again, the question, with these projects
3 that were subject to this \$1.5 million in SRF
4 financing, were these part of any planning, preplanning
5 that Lakes Region was doing?

6 A. No.

7 Q. Were these more reactive to DES?

8 A. Yes. They were a wish list. I mean, they literally
9 were, you know, a phone call from DES saying, you know,
10 "We have all this money available for shovel-ready
11 projects. Is there anything you would like to add to
12 the list?"

13 Q. Do the Board of Directors have any involvement in
14 creating any comprehensive plans?

15 A. No.

16 Q. I'm still with your reply testimony. And, I'm in
17 Exhibit E, Page 2 of that document.

18 A. Page 2. Okay.

19 Q. That has, under "2011 Capital Projects", it has things
20 such as "tools" and "upgrade computers", for "\$2,500"
21 and then "\$2,000". Do you see those?

22 A. "Tools", yes. I see "computer equipment". Yes.

23 Q. At some point or what is Lakes Region's breakpoint,
24 between what is considered a capital project and what

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[WITNESS: Mason]

1 is considered a routine maintenance or operating
2 expense? Is it something above 2,500?

3 A. I would say that's probably right around the threshold.

4 Q. Okay. With the 18 percent permanent rate that Staff
5 witness Jayson Laflamme has proposed, would Lakes
6 Region be able to fund any of these capital projects
7 out of its revenue requirement -- or, not "revenue
8 requirement", but it's, I guess, the equity portion
9 that it would return, --

10 A. Yes.

11 Q. -- if it had a rate increase of 18 percent?

12 A. I doubt it, just because we have the 2011 numbers at
13 this point, and we're still not -- we are making a
14 profit, but not much of one.

15 Q. On Page 5 of your testimony, Line 14, it says that you
16 derived the -- "Mason Exhibit E shows the Company
17 prioritization of capital improvements that [were]
18 derived from its 5-year Capital Improvement Plan."

19 A. Right.

20 Q. And, it referenced "Exhibit F"?

21 A. Uh-huh.

22 Q. So, Exhibit F is the 5-year Capital Improvement Plan?
23 Just seeking clarification.

24 A. Exhibit F.

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[WITNESS: Mason]

1 Q. If it helps, Mr. Mason, Exhibit F appears to be the
2 START proposal?

3 A. Yes. Okay.

4 Q. And, I'm looking for the Capital Improvement Plan.
5 And, is it that Page 1 of Exhibit E was drawn out of
6 Pages 2 and 3? I'm just trying to get a sense of
7 what's the Capital Improvement Plan?

8 A. Well, we had a Capital Improvement Plan that we had
9 used during our settlement discussions this summer. I
10 don't know that it is here, *per se*. And, I would say
11 that -- well, here's our 5-year plan. It's actually
12 the two pages before it. What was your question again?

13 Q. My question was, when -- in your testimony, and it just
14 may be a typo, but I was trying to follow, on Page 5,
15 where you say that Exhibit E is the priority listing
16 was drawn from a 5-year Capital Improvement Plan. So,
17 I went looking for the Capital Improvement Plan and
18 couldn't find it in F.

19 A. Yes. I would say it was just a typo. It appears to be
20 the two pages before F.

21 Q. Okay.

22 A. "Capital Projects".

23 Q. So, Exhibit E, the second and third pages, is the
24 5-year Capital Improvement Plan for Lakes Region?

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1 A. Yes.

2 Q. Okay. Thank you.

3 A. Obviously, that's subject to the fact that, you know,
4 2011 has already gone by, and a lot of these projects,
5 because we're still here, have not been -- we haven't
6 really put it together yet.

7 Q. Mr. Mason, when Lakes Region came in for the step
8 adjustment, which we've talked in testimony that it was
9 Docket DW 08-070, with the projects that were proposed
10 in that step docket, were those projects part of any
11 5-year capital plan or a capital plan?

12 A. I'm not sure. Again, we'd have to go back to what they
13 were.

14 Q. With respect to the Mount Roberts well development,
15 that's LRW Exhibit 14, is the development that's
16 proposed in this permit application part of any
17 construction plan or capital improvement plan?

18 A. No.

19 Q. So, is it fair to say then the Capital Improvement
20 Plan, any official plan, has started with the 2011
21 listing, which is attached to your testimony?

22 A. I believe so. We, you know, we left Mount Roberts out
23 of this whole thing, because we really have no idea how
24 -- where we have a special contract with Suissevale, we

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[WITNESS: Mason]

1 don't know how this is all going to work out or
2 whether, if Suissevale goes away, we even need Mount
3 Roberts permanently.

4 Q. Has Lakes Region done any forecasting or some kind of
5 plan looking at the water source needs for Paradise
6 Shores?

7 A. Yes.

8 Q. And, can you describe that?

9 A. We did some step-tests back in 2009 on the old existing
10 well field. We probably will repeat those this spring,
11 because, at the time, the Company that did the -- that
12 did the report, HydroSource, said that the wells were
13 still producing a reasonable amount of water, and that
14 we were in pretty good shape. What we noticed last
15 summer was that they weren't as strong as they used to
16 be, and that we probably should re-, you know, check
17 them, you know, the two existing wells again this
18 coming spring and see the capacity. And, that will
19 determine whether, you know, whether we need to do
20 anything different.

21 Q. Okay. With the development of the 325,000 gallon
22 storage tank, do you recall that project?

23 A. Yes.

24 Q. Was that project part of any 5-year construction plan?

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1 A. Yes. That actually started in about 2001. My dad at
2 the time started to realize that, with Suissevale on
3 board, and the amount of building that was going on, I
4 actually checked yesterday, and -- with our town. And,
5 from 2000 until 2011, there were 104 houses added in
6 Suissevale alone, and about 35 in the Balmoral
7 subdivision. So, it was growing considerably. He
8 started in 2001 or '02 to look at putting in a tank,
9 because we used to have 50,000 gallons of storage, and
10 he was thinking that we needed to do more storage for
11 those particular projects -- for that project. Of
12 course, it took till 2008 to get it on line, due to
13 issues.

14 Q. And, those issues were due to a engineer -- bad
15 engineered --

16 A. Yes. Yes. An engineer that we hired made a
17 calculation mistake, and, basically, the tank cracked
18 in several places. And, it had to be torn down and a
19 new one constructed.

20 Q. So, the delay wasn't attributed to Lakes Region's
21 internal management, correct?

22 A. No. It was over a year in court with the insurance
23 company for the lawyer -- for the engineer.

24 Q. On Page 1 of your reply testimony I'm just looking at

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[WITNESS: Mason]

1 Lines 16 and through 17, and it's "(3) in need of
2 significant non-revenue generating capital investment
3 at the time they were acquired."

4 A. Uh-huh.

5 Q. Do you see that sentence?

6 A. 16, 17. Let's see. Yes.

7 Q. At the time Lakes Region purchased some of these
8 systems, did it prepare a capital investment plan to
9 address these "significant non-revenue generating
10 capital investments"?

11 A. That was before my time.

12 Q. Okay. When you say "before [your] time", was that --
13 would that planning have been done by your father?

14 A. Yes.

15 Q. And, your father is no longer a certified operator, is
16 that correct?

17 A. Correct.

18 Q. He relinquished his Drinking Water Operator
19 Certificate, is that correct?

20 A. Yes, he did.

21 Q. And, was that part of the Tamworth incident?

22 A. Yes, it was.

23 Q. Do you recall the testimony with Mr. St. Cyr regarding
24 the actual rate of return for 2007 being 4.12 percent?

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[WITNESS: Mason]

1 A. I believe so.

2 Q. And, in connection with that 4.12 percent rate of
3 return, would you agree that Lakes Region did not file
4 for a general rate increase in 2008?

5 A. 2008? We received -- we received new rates in 2006, I
6 believe. And, in 2008, we received the step increases
7 through you people. And, then, we filed in 2009, which
8 we withdrew because of issues with Staff. And, then,
9 we refiled in 2010 for that, for another rate case.

10 Q. Okay. Would a rate of return of 4.112 [4.12?] cause
11 you to seek a rate -- a general rate increase?

12 A. Yes.

13 Q. But it didn't back when the 2007 actual rate of return
14 was reported, correct?

15 A. That would have been -- we would have filed that in
16 2008. And, then, we filed for our first rate increase
17 in 2009. And, we also had the three step increases
18 during 2008.

19 Q. And, did the step increases factor into Lakes Region's
20 decision not to pursue a general rate increase after
21 receiving the 4.12 news?

22 A. I believe we didn't think that -- that we needed to get
23 our step increases in place before we really knew what
24 was going on.

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1 Q. Understood. Okay. When you said "Lakes Region filed
2 for a rate increase in 2009", are you talking about
3 what was noted -- marked as -- what was docketed as DW
4 09-184?

5 A. I don't know the numbers, but I believe that's right.

6 Q. Subject to check, okay. Do you recall whether Lakes
7 Region had to file for extensions of time --

8 (Court reporter interruption.)

9 BY MS. THUNBERG:

10 Q. Do you recall if Lakes Region had to file for
11 extensions of time to file its rate schedules?

12 A. I don't remember.

13 Q. Do you know that -- do you recall that Staff
14 recommended the Commission reject that rate filing?

15 A. I believe that's what happened.

16 Q. Do you recall the reason Staff reject -- recommended
17 rejection was that Lakes Region had not completed its
18 2008 Annual Reports?

19 A. I don't remember that.

20 Q. You don't remember that.

21 A. What I do remember was we, you know, agreed, after
22 talking with Staff, to wait a year.

23 Q. Mr. Mason, on Page 5 of your reply testimony, Lines 12
24 through 17, are you saying that Lakes Region's ability

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1 to make capital improvements is hampered by its rates
2 being too low?

3 A. Yes. What I'm trying to say is that, because, over the
4 latter ten years, our history has shown that we've
5 never gotten our rate of return, you know, or even
6 close to it, that we're not attractive to a bank or
7 even to the -- you know, we can slide through with the
8 SRF funding, but we're not attractive to anybody to
9 give us money, because there's no -- we're just on the
10 edge all the time. We're barely getting enough money
11 to pay our bills, and that's it.

12 Q. Let me ask it a different way. Is Lakes Region arguing
13 that it needs rate increases prior to making capital
14 improvements?

15 A. Prior to? No. It just needs them to go along with
16 trying to -- to get people to lend you money, you need
17 to have that cash flow to do it.

18 Q. Are you familiar with the requirement that capital
19 assets, in order to be recovered in rates, need to be
20 in service, used and useful?

21 A. Correct.

22 MS. THUNBERG: Okay. Staff's completed
23 its cross-examination. Thank you very much.

24 CHAIRMAN IGNATIUS: Thank you. And, for

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1 clarity, Staff Advocates, because we also have the
2 Non-Advocate Staff yet to go. An order of --

3 MS. HOLLENBERG: I'm sorry to interrupt.
4 We actually, the OCA, will need to go, too.

5 CHAIRMAN IGNATIUS: Yes.

6 MS. HOLLENBERG: We just went out of
7 order last time. Thank you.

8 CHAIRMAN IGNATIUS: Yes. The order is a
9 little bit funny, because we have Staff Advocates in a
10 different role than the normal Staff position and the
11 Commission within these hearings. So, I guess OCA would
12 be next. And, I'll tell you, our intention is to go until
13 12:30.

14 MS. HOLLENBERG: Okay. Yes. I would
15 hope that I'm not -- I don't have more than that. Good
16 afternoon, Mr. Mason.

17 WITNESS MASON: Good afternoon.

18 BY MS. HOLLENBERG:

19 Q. I'd like to ask you some questions about the Affiliate
20 Agreement that's before the Commission for approval.

21 A. Sure.

22 Q. And, I believe that that has been marked as "LRW
23 Exhibit 10". Do you have a copy of that before you?

24 A. I do.

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[WITNESS: Mason]

1 Q. And, just to clarify, you may have testified about this
2 already, but you filed this, this Affiliate Agreement,
3 on behalf of Lakes Region Water Company, as its
4 president, in March of 2010. Would you agree with
5 that?

6 A. Yes.

7 Q. Can you explain the difference, why the dates are
8 different? The date of the effectiveness in the first
9 paragraph and the date when the document was signed at
10 the bottom of the Affiliate Agreement?

11 A. I can't remember, to tell you the truth, what --

12 Q. Okay.

13 A. -- why it's like that.

14 Q. Okay. And, you agree that you signed the Affiliate
15 Agreement on behalf of Lakes Region Water Company and
16 on behalf of Lakes -- LRW Water Services, is that
17 correct?

18 A. Yes.

19 Q. Who drafted this document?

20 A. Huh. I can't remember if it would have been Don
21 Crandlemire or whether we did it in the office. It
22 would have been either one or the other.

23 Q. The second paragraph of the agreement states "Whereas,
24 Contractor, from time to time, utilizes the employees

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[WITNESS: Mason]

1 and equipment of the Water Company for Contractor's own
2 purposes." Did I read that correctly?

3 A. Yes.

4 Q. When does the Contractor, or LRW Water Services,
5 utilize the Water Company or utility's employees and
6 equipment?

7 A. It's fairly rare. Once in a while there will be a
8 project or something that we'll need a hand with and
9 we'll take one of the guys, or collecting samples,
10 that's more common. Those are the two areas that
11 happen that way.

12 Q. So, that type of use of the water utility's employees
13 and equipment would take the shape of collecting water
14 samples or what other types of activities?

15 A. Oh, might be a problem in a pump station that LRW Water
16 Service runs, and one of the guys might be in the area,
17 so they'll pop over, check it out, see what's wrong
18 with it. And, you know, fix it, if he can.

19 Q. So, maintenance and repair type of services --

20 A. Correct.

21 Q. -- by the utility employees on behalf of the
22 Contractor?

23 A. Right.

24 Q. And, you said "it's fairly rare". I guess, how often

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[WITNESS: Mason]

1 or how many times, hours per week, would you say, over
2 the course of a year that that type of -- that the
3 Contractor would utilize the utility's employees or
4 equipment?

5 A. It was more for a couple of years. But, in the last
6 year or so, it's gone down considerably on both sides,
7 the use from one way, you know, from my -- yeah, "my"
8 -- LRW Water Services' employees to the Water Company,
9 and vice versa. I'm going to say, you know, maybe -- I
10 think I remember, in 2010, it being around \$15,000
11 total, that went from -- from Services to the Water
12 Company.

13 Q. Thank you. And, just to be clear, which -- can you
14 tell me generally, how many employees does the utility
15 have?

16 A. The utility has -- let me see. Just a second. I think
17 there's eight total.

18 Q. And, what are their positions, just generally?

19 A. Everything from office help, to there's five people out
20 in field.

21 Q. Okay. So, five field workers. And, would those be the
22 employees of the utility that the Contractor would
23 receive services from?

24 A. Right. Correct.

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[WITNESS: Mason]

1 Q. And, the equipment that's listed, if you turn to the
2 second page of the Affiliate Agreement filing, which is
3 "Appendix A", the equipment, is that listed halfway
4 down that page, "Excavator (Mustang)", "Dump Truck
5 (2003 GMC)", "Power Mole (PD6 Plus)"?

6 A. Yes. That is actually -- it's changed a little bit,
7 but, yes, that's -- the dump truck's been replaced and
8 the excavators are different -- well, no, that's the
9 same. So, just the dump truck's been replaced. But,
10 yes, that is the list.

11 Q. And, no other equipment?

12 A. No, I don't think so.

13 Q. Okay. Thank you. Paragraph 3 states, "Whereas, Water
14 Company, from time to time, utilizes the employees and
15 equipment of the Contractor for Water Company's own
16 purposes." I have some similar questions with regards
17 to this paragraph. For instance, when does the utility
18 use the services of the Contractor?

19 A. Very rarely lately. For a while, we did a bunch of the
20 leak work. But, at this point, we've hired some new
21 people in Lakes Region in the last year and a half, so
22 it gives us a lot more workforce out on the ground.
23 So, basically, the only time that LRW Water Service
24 does something for Lakes Region Water is if it tends to

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[WITNESS: Mason]

1 be on the bigger side, with bigger equipment. LRW has
2 got a lot bigger equipment than Lakes does.

3 Q. Can you give me a few examples of when bigger equipment
4 might be required?

5 A. Last year, we had a line replacement that we started in
6 Far Echo, in which we thought we were going to be able
7 to do it with Lakes Region's people and excavator. It
8 turned into a project with ledge removal, and,
9 basically, a ton more work than we originally expected.
10 And, we ended up having to do it with two bigger
11 excavators, dump trucks, we had to haul the ledge away.
12 It was just a large project, larger than expected.

13 Q. And, in 2010, you stated before that you've estimated
14 about \$15,000 paid by the utility -- or, by the
15 Contractor to the utility under the Affiliate
16 Agreement. For 2010, what is your sense of how much
17 the utility paid to the Contractor under the Affiliate
18 Agreement?

19 A. Off the top of my head, I don't know. I knew the other
20 number, because I had seen it the other day.

21 Q. Okay.

22 A. It's definitely readily available. I could provide it
23 to you. I don't want to say a number right now.

24 Q. Uh-huh.

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[WITNESS: Mason]

1 A. Because I'm not sure.

2 MS. HOLLENBERG: May I ask for that to
3 be provided by the Company?

4 CHAIRMAN IGNATIUS: The request would be
5 for what period of time?

6 MS. HOLLENBERG: 2010.

7 CHAIRMAN IGNATIUS: And, is the "15,000"
8 number you were giving also a 2010 figure?

9 WITNESS MASON: Yes. I believe so. I
10 mean, I can do both of those numbers, to make sure they're
11 correct.

12 CHAIRMAN IGNATIUS: All right.

13 WITNESS MASON: There's no pressure.

14 CHAIRMAN IGNATIUS: Is that acceptable,
15 Mr. Richardson?

16 MR. RICHARDSON: I'd rather tell the
17 whole story and go all the way to 2011. But that's
18 fine --

19 CHAIRMAN IGNATIUS: If you want to do
20 them separately, I think the request was for 2010. So,
21 why don't you do each year, 2010 and 2011. So, that would
22 be Record Request 3?

23 MS. HOWARD-PIKE: Three.

24 **(Record Request 3 reserved)**

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[WITNESS: Mason]

1 MS. HOLLENBERG: Thank you.

2 BY MS. HOLLENBERG:

3 Q. And, I mean, generally speaking, what are the types of
4 purposes that are contemplated in that paragraph, of
5 the "Water Company's own purposes" for use of the
6 Contractor's equipment and employees?

7 A. Well, a lot of times the Services Company has a lot of
8 specialty equipment. And, at different times, the
9 utility needs those particular pieces, a roller, maybe
10 a big vibratory compactor, or maybe a concrete saw,
11 something like that, and which the Services Company
12 already owns. So, it gets used by the utility.

13 Q. And, the Service Company, how does the Service Company
14 use the equipment that the -- this type of equipment
15 and its employees otherwise, when it's not serving the
16 utility or providing services to the utility?

17 A. Oh. We do a lot of work for towns. We do a lot of
18 work for Franconia, the Town of Alton. And, we do a
19 lot of work for subdivisions. You know, it's a fairly
20 extensive list of equipment. There's four big
21 excavators, there's two dump trucks, there's, you know,
22 rollers, bulldozers. There's, you know, a lot of
23 equipment that's out there.

24 Q. I'm sorry. When you say you do work for the towns and

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[WITNESS: Mason]

1 for subdivisions, do you do similar work to what you're
2 providing for --

3 A. Yes. Yes. We specialize in, like, leak repair.

4 Q. Uh-huh.

5 A. We do a lot of, you know, get a phone call at 5:00 on
6 Saturday night to go fix a water leak in the middle of
7 the road, or pump stations that need repairing or
8 replacing, pipelines. Anything -- pretty much anything
9 to do with water we specialize in.

10 Q. In terms of the amount of time that you spend over the
11 course of a year or Lakes Region Water Services Company
12 spends over the course of a year servicing private or
13 public, other public entities, compared to the time it
14 services Lakes Region Water Utility, what would you say
15 that that makeup is?

16 A. I doubt Lakes Region makes up 5 percent.

17 Q. Okay. Thank you.

18 A. Of course, it varies per year. You know, one year, we
19 had a couple, two or three years ago, when it was
20 extensive, because we had a lot of things going on.
21 But, typically, it's not very much.

22 Q. Thank you. The next paragraph states "Whereas, there
23 is an economy benefit to be derived by the Water
24 Company in sharing its personnel and equipment with

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[WITNESS: Mason]

1 Contractor." Could you tell me what that economic
2 benefit is? Or, how do you --

3 A. Yes. I'm just --

4 Q. What does that mean, in terms of as it's used in this
5 paragraph?

6 A. I just think that, in both cases, I mean, if you read
7 both of them together, it goes both ways. That the
8 next line says the exact opposite, basically. And,
9 what it does is, it's an agreement that helps on either
10 side. I mean, if we need -- Lakes Region needs help
11 that particular day, somebody comes over from the other
12 side and helps them. Obviously, you know, if a big
13 excavator is needed, it's available right then.
14 Typically, those things aren't available. You can't
15 really just call up your local sitework guy and say
16 "Hey, I got a leak. And, I need to get you over here
17 with a dump truck and a big excavator right now." So,
18 that's the benefit to the Company.

19 The opposite way is -- is simple. It's
20 just, if they're out doing their water checks, and they
21 check one of the pump stations, it's, obviously, more
22 economical to do that, than it is to send another
23 person to, you know, two miles away from where this guy
24 was. It just kind of works hand-in-hand.

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[WITNESS: Mason]

1 Q. Thank you. Could you look at Appendix A please, which,
2 as I understand it, are the terms that govern the
3 provision of services by the Water Company or the
4 utility to the Contractor, is that correct?

5 A. Uh-huh. Right.

6 Q. And, if I could just ask you about, under the heading
7 "compensation", --

8 A. Uh-huh.

9 Q. -- it indicates "Personnel including a pick-up
10 vehicle", and "cost includes employee's hourly rate,
11 payroll taxes, employee benefits, vehicle costs
12 including fuel, maintenance, insurance and
13 depreciation." Did I read that correctly?

14 A. Yes, you did.

15 Q. And, across from that is the -- is "\$19.00 Per Hour",
16 is that correct?

17 A. Correct.

18 Q. What is the basis for that rate?

19 A. At the time, it was, you know, some figures that we had
20 used or kind of went through everything and needed some
21 figures to come up with that. I doubt -- I think the
22 current one, the more in the \$25.00 range, which we're
23 willing to, you know, we're willing to go to, at this
24 point in time, they were about 19, now I think they're

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[WITNESS: Mason]

1 probably closer to 25. I believe Norman did a review
2 of that within the last few months or six months, to
3 refigure, you know, with everything, with all the new
4 figures.

5 Q. Mr. Roberge would have calculated that rate?

6 A. Correct.

7 Q. And, you said that was calculated presumably before
8 this was filed?

9 A. Correct.

10 Q. So, a couple years ago at least?

11 A. Three years ago, yes.

12 Q. And, do you have any sense of why some of the rates are
13 per hour and some of them are monthly or per month?

14 A. Sure. It was kind of hard to figure out. Because the
15 way, as far as the per month deal is by -- for the
16 person picking up the samples. And, what happens is,
17 they typically go to an area, and they will pick up all
18 the samples, whether they're Lakes Region Water's or
19 mine. And, it's -- it's kind of hard to figure out.
20 We just had to kind of come up with some sort of a
21 number, take the -- you know, what it cost us, and then
22 kind of divide it up, and say "well, all right, what
23 was that actually worth?" And, it's a hard number to
24 come to, really. And, all the -- as far as samples go,

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[WITNESS: Mason]

1 they're all kind of based on a fixed charge, when you
2 go to pick them up. So, there's only a certain amount
3 of money there to actually collect every month.

4 Q. Has the Company -- before this affiliate agreement was
5 filed, I believe you answered some questions on cross
6 about other versions of affiliate agreements. And, I'm
7 new to the case. So, I'm just trying to figure out,
8 has the Company ever had an affiliate agreement on file
9 with the Commission that's been approved?

10 A. I don't believe it. It really wasn't an issue until I
11 took over both, both sides.

12 Q. Do you know if any of the employee hours provided by
13 the utility to the contractor or the Service Company
14 includes overtime hours?

15 A. I do not.

16 Q. Has the utility ever put out bid solicitations to other
17 companies for services listed in the Affiliate
18 Agreement?

19 A. We have talked to different people. I have never put
20 out a bid. The problem being is that there are very
21 few people that have the capability to do what we do,
22 as far as leaks. It's really a hit-or-miss deal
23 whether you're going to find somebody that's got an
24 excavator available that day. You really can't plan

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1 ahead for most of the projects that we do. You know,
2 because they're spur of the moment, and they need to be
3 fixed, you know, right then, typically.

4 Q. And, does the Company, I'm kind of skipping back, does
5 the Company pay employees overtime?

6 A. Oh, yes. Definitely.

7 Q. Okay.

8 MR. RICHARDSON: I'm sorry, could we
9 just clarify which companies?

10 MS. HOLLENBERG: I'm sorry. Yes. Sure.

11 BY MS. HOLLENBERG:

12 Q. Does the utility pay its employees overtime?

13 A. Yeah, both of them do. So, that was an easy question.

14 Q. Okay. During the test year, did the utility receive
15 money from the contractor or the Service Company for
16 managing systems that were designated as Mason, Sr.
17 water systems?

18 A. I don't understand the question.

19 Q. Does the Company -- does the contractor provide
20 services for systems owned by your father, but not
21 Lakes Region Water Company?

22 A. No, he didn't own any other systems. He had a few
23 contracts, similar to what LRW Water Services had.
24 When, I think it was in 2008, they just got transferred

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1 over to LRW Water Service completely.

2 Q. So, they were systems that -- so, your dad undertook to
3 provide services similar to the contractor services as
4 the head of the utility or as an individual?

5 A. Most of them were little, you know, little
6 subdivisions, you know, maybe a group of 20 condos.
7 They still need a registered operator.

8 Q. Uh-huh.

9 A. And, so, there might have been, I'm just guessing, he
10 might have had four or five little things like that.
11 Where he, you know, collects the samples and do the
12 paperwork for the State, and that was about it.

13 Q. With regards to -- if I can have you look at Appendix B
14 please.

15 A. Okay.

16 Q. And, as you see, halfway down the page is the heading
17 "Compensation", and there is the -- there are the words
18 "personnel including a pick-up vehicle", and across
19 from that is "\$50.00 Per Hour". Did I read that
20 correctly?

21 A. Correct.

22 Q. And, what is the basis for that rate?

23 A. That is derived basically from the rate that I charge
24 everybody. At this point, or in the last two years, we

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1 work off a \$65.00 an hour fee that we charge all the
2 other customers that we have. So, this was -- I tried
3 to give Lakes Region Water a little bit of a break, so
4 basically dropped it to 50. It was an arbitrary drop
5 to 50.

6 Q. And, what's included in that rate, besides the vehicle,
7 I see that, and I presume, personnel, a wage?

8 A. Right. Right, the normal --

9 Q. What else --

10 A. Basically, yes, I mean, personnel, the equipment, he's
11 in a pickup. I mean, if it's something speciality, a
12 lot of times we charge for it, if there's wear and tear
13 on something or whatever. But it includes the person
14 and whatever equipment is normally in his pickup.

15 Q. Now, if you look -- if you look and contrast Appendix
16 A, there's a list of what -- of the type of -- the
17 features of the total hourly rate. The "cost
18 includes", and it says exactly what the cost includes;
19 the "employee's hourly rate, payroll taxes", *etcetera*?

20 A. Yes.

21 Q. We don't see similar language regarding the
22 compensation for personnel for the water contractor,
23 the contractor?

24 A. It's the same. The same.

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[WITNESS: Mason]

1 Q. The same basis?

2 A. Correct.

3 Q. The same things included?

4 A. Uh-huh.

5 Q. So, for the water utility, their personnel, including
6 all of those things, is \$19.00 per hour, or perhaps
7 it's in the low 20s as you indicated before, at this
8 point in time?

9 A. Correct.

10 Q. And, for Lakes Region Water Services Company, it's
11 \$50.00 an hour?

12 A. Right. And, the big difference is, Lakes Region Water
13 Services, the only way that they get paid is by
14 billable hours. So, there's no money coming in, unless
15 the bill goes out by the hour to somebody. Whether
16 it's Lakes Region Water or the Town of Franconia,
17 that's the way they get paid. The difference, and I
18 know what's coming next, the question about the \$19.00.

19 Q. I'm glad you do.

20 A. I think, at least. Is that the big difference there
21 is, what I understood was that we had to replace the
22 money that, in other words, make the customer whole in
23 the -- in the transaction. Not necessarily a profit,
24 but to make them whole in the, you know, so the Company

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[WITNESS: Mason]

1 isn't subsidizing -- the utility isn't subsidizing the
2 services company. That's the way I understand.
3 Because their hours are derived directly from rates,
4 they don't have any billable hours. That, you know,
5 there's not a bill sent out to anybody every week to
6 pay them.

7 Q. Do you have an analysis of the cost including, in the
8 personnel on Appendix B, what the actual cost is of
9 that?

10 A. Appendix B?

11 Q. I understand, from your response earlier, it sounds
12 like that's the market rate.

13 A. Right. It is. That's exactly what it is.

14 Q. That's what people pay. But do you have an analysis of
15 what the actual cost of those services are?

16 A. No, I do not.

17 Q. Thank you. I was curious about the language that
18 follows the "compensation" section, where it says "Tom
19 Mason, Jr. salary includes compensation for managerial
20 services only." So, does this mean that your salary
21 for the water utility includes only managerial services
22 or your salary from the Water Services Company includes
23 managerial services?

24 A. I do not know when that came about. I believe it means

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1 that the water company, you know, for the water
2 company, it's managerial.

3 Q. Are you paid a salary by the water company or by Lakes
4 Region Water Services Company?

5 A. By the water company.

6 Q. Okay. What do the "managerial services" category
7 include?

8 A. I think it's pretty much everything. I have never
9 billed them separately for anything. So, I'm not
10 really sure where that wording came from or what it,
11 you know, why we added it at the time. But, I think,
12 in all the years of going back and forth on this
13 agreement, we've never billed my time to the water
14 company.

15 Q. Okay. So, the Water Services Company has not billed
16 the utility for your time?

17 A. No.

18 Q. Whether it is managerial or non-managerial?

19 A. No, it has not.

20 Q. Okay. Thank you. Now, your salary from the water
21 company, does it -- do you also receive any other
22 benefits or compensation as a result of your work or
23 employment by the water company?

24 A. Just health insurance.

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[WITNESS: Mason]

1 Q. One moment please. And, the last paragraph addresses
2 "plowing services"?

3 A. Right.

4 Q. It says the rate is "\$70 per hour", is that correct?

5 A. Yes.

6 Q. What is the basis for that rate? Is that also a
7 market-based?

8 A. Just wear and tear -- no, it's actually just -- yes,
9 it's market-based. And, it's also just the extra wear
10 and tear on a pickup plowing, especially a lot of pump
11 stations, where they're off-road, and it's pretty
12 aggressive on a pickup. You need a lot of repairs,
13 usually.

14 Q. Do you have an analyst of the actual cost associated
15 with plowing services?

16 A. I do not.

17 Q. Thank you. And, who performs the plowing services?

18 A. One of the guys that works for LRW.

19 Q. How many employees does LRW have?

20 A. It comes and goes. But, right now, in the winter here,
21 we've just got a couple. And, then, we'll end up with
22 five or six in the summer.

23 Q. And, are you the only management employee of that
24 company or --

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[WITNESS: Mason]

1 A. Well, there's a guy that's been with me for 20
2 something years. So, he pretty much is on his own on
3 that deal.

4 Q. Okay.

5 A. I spend most of my time over here.

6 Q. He's a field person, but does also --

7 A. Yes. Yes. He does a lot of the planning and meetings
8 and things like that for them.

9 Q. Okay. Thank you. A question about comparing equipment
10 costs on Appendix A and Appendix B. Appendix A lists
11 an excavator at "\$65.00 an hour". And, if you turn to
12 the last page of the Affiliate Agreement filing,
13 Appendix B, which is continued on this page, lists the
14 costs of an excavator, either "large" at "125 per hour"
15 or "small" at "115 per hour". Can you explain the
16 basis for the difference in the hourly rates?

17 A. Sure. It's actually a size thing. I didn't give a
18 price on a mini excavator. That's what the water
19 company has got, is like a small mini one. And, then,
20 the two that I listed off are a 35,000 pound excavator
21 is the small one, and the 60,000 pound one is the big
22 one. So, it's quite a bit, it's just sizes. I didn't
23 think there was any need to put the little -- the mini
24 one, and, even though we have one, but they use their

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1 own.

2 Q. Okay. Thank you. How long has the utility used the
3 services or equipment of the Contractor? Since what
4 date, approximately?

5 A. It's been for years they have on-and-off used them. It
6 just wasn't quite, until I ran both of them, it wasn't
7 quite as much of an issue.

8 Q. Uh-huh. So, more than ten years?

9 A. I would bet, yes, more than ten.

10 Q. Okay. And, how long has the Contractor used the
11 utility's services?

12 A. Oh, probably just -- I'd have to go back and look, but
13 probably just since I took over both of them.

14 Q. Okay.

15 A. I'm just guessing. Probably just since I took over in
16 2008 or so.

17 Q. You were asked, I believe on cross-examination by
18 Staff, if you -- about a power of attorney for one or
19 both of your parents. And, I believe you indicated
20 that your sister, one or both of your sisters had the
21 durable general power of attorney over your dad, I
22 think is what we talked about, isn't it?

23 A. Yes.

24 Q. Do you have any legal authority to act on your parents'

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1 or your father's behalf?

2 A. No. No.

3 Q. What is the -- I apologize, this is a very fundamental
4 question, and I probably should know the answer to it.

5 But what is the legal structure of Lakes Region Water
6 Services Company? Is it a corporation?

7 A. Yes. It's a corporation.

8 Q. Okay. And, are you -- are there any other -- are you a
9 shareholder?

10 A. Yes. It would be me and my wife.

11 Q. And your wife. Okay. Are you also an officer?

12 A. You had to ask me that. I not really -- I suppose so.

13 Q. Okay. And, do you know if there are any other officers
14 of --

15 A. It's all structured around just myself and my wife.

16 Q. Okay.

17 A. So, there's nobody else.

18 Q. Okay. And, your sisters are -- or, your parents are
19 the sole shareholders of the utility, and your sisters
20 are, along with your parents, are the officers of the
21 utility, is that correct?

22 A. Yes.

23 Q. Okay. And, do your sisters have any other role in the
24 utility?

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[WITNESS: Mason]

1 A. No. No. One lives in Maryland, the other one is
2 local, but is a nurse.

3 Q. Okay. I realize -- or, just a couple of quick
4 questions about Mount Roberts. I think you confirmed
5 on cross-examination that the Company withdrew its
6 proposal to include the costs of purchasing that real
7 property?

8 A. Correct.

9 Q. As well as the cost of putting some capital
10 improvements on that property for utility services, is
11 that correct? That's no longer an issue in this case?

12 A. Yes. Right. Exactly.

13 Q. Okay. And, is it correct that the Company -- your
14 parents own the Mount Roberts' property, is that
15 correct?

16 A. Yes.

17 Q. And, is it correct that the Company uses that property
18 currently for utility services?

19 A. Yes, they do.

20 Q. Do you have an easement on that property?

21 A. We don't have an easement. They just have a letter
22 back and forth between Lakes Region and themselves.
23 There's an easement for the pipeline going down to the
24 street that is -- that is existing. But that's it.

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1 Q. And, you would agree that, at this point in time, the
2 Company is being required by the Department of
3 Environmental Services to implement some kind of
4 temporary measures to address source issues related to
5 the Suissevale and the Paradise Shores systems?

6 A. Yes.

7 Q. And, that's related to Mount Roberts?

8 A. Correct.

9 Q. Okay. And, you also agree that there is a question at
10 this point in time about whether Suissevale will
11 continue as a customer of Lakes Region Water Company,
12 the utility?

13 A. Yes.

14 Q. That they're exploring other source options at this
15 point in time?

16 A. Yes.

17 Q. Is that the reason that the fix for that source issue
18 is being considered one of a temporary nature?

19 A. Exactly. You know, without knowing Suissevale's status
20 in the long run, we weren't willing to invest any more
21 money into it, until we can figure out whether, one, we
22 even need it for Lakes Region Water on a permanent
23 basis, or whether Suissevale is going to stay with us
24 and also needs that source.

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1 Q. Is it fair to say then that there's no permanent plan
2 for the use of the Mount Roberts' property at this
3 time?

4 A. Correct.

5 Q. A couple of questions about the criminal conviction
6 against -- convictions against Lakes Region Water
7 Company. I believe those were marked on the first day
8 as "Staff Exhibit 1". Who was -- so, they are
9 convictions against the water utility, is that correct?

10 A. Correct. Not an individual.

11 Q. And, who was in control of the water utility at that
12 time, at the time of the actions upon which the
13 criminal convictions are based?

14 A. Thomas Mason, Senior.

15 Q. Okay. And, was he the president of the water company,
16 the water utility at that time?

17 A. Yes, he was.

18 Q. And, how has the Company been paying the fines?

19 A. Excuse me?

20 Q. How has the Company paid the fine? I believe it was
21 \$100,000, two \$100,000 fines, with half suspended from
22 both?

23 A. Right.

24 Q. So, for the total 100,000 non-suspended part of the

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1 fine, how has the Company paid for that?

2 A. 3,300 per month is what they have been doing.

3 Q. And, what is the source of the funds?

4 A. It comes out of the general, general funds.

5 Q. Is there any specific account that it comes from, any
6 specific utility account or --

7 A. I can't answer that, because I -- I know it's not
8 charged off to the customer. I know it's definitely
9 not anything they're paying for. I don't know the
10 account. I can definitely, if you want, I can find
11 that information out.

12 Q. That's okay. Thank you.

13 MS. HOLLENBERG: I don't have very much
14 more. Thank you. Just a second please.

15 (Short pause.)

16 MS. HOLLENBERG: May I approach the
17 witness please?

18 CHAIRMAN IGNATIUS: Please.

19 MS. HOLLENBERG: Thank you.

20 BY MS. HOLLENBERG:

21 Q. Mr. Mason, you were involved in the Docket DW 08-070,
22 which related to the step increases that you referenced
23 earlier on cross --

24 A. Right. Yes.

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[WITNESS: Mason]

1 Q. -- from Staff?

2 A. Yep.

3 Q. And, do you recall that the Company was audited by the
4 Commission Audit Staff in that case?

5 A. Yes, I do.

6 Q. And, do you recall that there was an issue identified
7 by the Audit Staff about their difficulty with
8 receiving and reviewing backup for the charges that
9 were associated with the Affiliate Agreement?

10 A. I remember there was a few things that they didn't --
11 that they had questions about.

12 Q. Just, if you wouldn't mind looking at this, this
13 document, would you agree, is "Lakes Region Water
14 Company, Inc., DW 08-070 Step 3 Final Audit Report"?

15 A. Yes.

16 Q. And, it's dated "September 22nd, 2010"?

17 A. I agree.

18 Q. Thank you.

19 CMSR. HARRINGTON: Excuse me, what is --
20 do we have that? Or, is it something we don't have?

21 MS. HOLLENBERG: It isn't something that
22 you have. I wasn't going to enter it, and to just get a
23 couple of sentences out of it, if I could. Thank you.

24 MR. RICHARDSON: Could we, just to

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1 clarify the record, --

2 MS. HOLLENBERG: Sure.

3 MR. RICHARDSON: -- get on the record
4 what the test year was that that audit finding relates to?
5 Because I believe that's a 2007 test year case, is that --

6 MS. HOLLENBERG: I wasn't in the docket,
7 so I will defer to anyone who else might know. It doesn't
8 look like it's -- it wasn't a base rate case. So, it was
9 a step increase outside of a base rate case. So, I don't
10 think it had a test year.

11 WITNESS MASON: I think there's a series
12 of three of them, yes. Steps.

13 BY MS. HOLLENBERG:

14 Q. Mr. Mason, on Page 5 of that agreement, do you see the
15 heading "Affiliate Agreement"?

16 A. Yes.

17 Q. And, on Page six of this audit, I'd like to read the
18 Staff -- what the Staff Audit Staff wrote, and it said:
19 "Audit did not receive or review meaningful backup to
20 most materials and subcontractor charges." Is that
21 correct?

22 A. Yes.

23 Q. Okay. Thank you.

24 A. And, in response to that, it was -- that was -- we had

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1 never had to do anything with the affiliate agreement
2 before. So, some of the stuff we learned during this
3 process we needed to keep better track of. And, at
4 that point, we didn't keep as good a track as we should
5 of of certain things, because we never had to before.

6 MS. HOLLENBERG: One moment please.

7 (Short pause.)

8 BY MS. HOLLENBERG:

9 Q. And, then, on Page 9 of that audit, do you see the
10 heading "Audit Issue Number 3"?

11 A. Sure.

12 Q. And, then, Page 10, do you see the heading "Audit
13 Response"?

14 A. Yes.

15 Q. And, the last paragraph of that section, it states:
16 "Audit notes that the Company stated on four occasions
17 that a job cost was arrived at through an agreement
18 "reached between the parties as a service trade", using
19 the dollar amount a company owed LRW as a basis."

20 A. Correct.

21 Q. "Therefore, Audit considers there was no adequate
22 support sent by the Company for these items." Is that
23 correct?

24 A. That's what's written there.

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1 Q. Thank you.

2 A. And, what that's in reference to was, a subdivision
3 that was-- LRW Water Service helped do the water mains
4 in, also was served by Lakes Region Water. The
5 contractor that was building the subdivision was
6 supposed to pay for the water mains. What ended up
7 happening was, he ran into financial difficulties.
8 And, what I had him do was I had him do some jobs for
9 us, to basically get him to pay us back. So, we just
10 took the money, what we did is he went and he built the
11 pump station, and charged me, say, \$10,000 for it, and
12 I deducted that, I deducted that from what he owed LRW,
13 and Lakes Region Water ended up with the pump station.
14 That's what ended up happening. It's a little
15 complicated, but it is a way of working out a deal with
16 a contractor to get something out of it, rather than
17 nothing.

18 Q. Do you agree, is that the similar basis that your
19 understanding is that the current Affiliate Agreement
20 that's before the Commission is based, that same type
21 of logic or reasoning?

22 A. No. That was a strange coincidence that just happened
23 to work out. That this guy had something to offer that
24 we could barter back and forth and get something for

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1 Lakes Region Water and get something for -- get LRW
2 paid off a little bit also.

3 Q. Okay. On cross-examination from Staff, you talked
4 about or you were asked about the Company's
5 receivables. How does the Company determine which
6 vendors to pay and when?

7 A. Well, what we normally do is I sit down with the
8 payables guy, and we go through and select what is
9 available for money on at least a weekly basis, and try
10 to figure out who we need to pay. The people, you
11 know, like I said, at this point, the professional
12 people are the ones that have been neglected. The
13 regular accounts, you know, the suppliers, things like
14 that, are all current. The people that have really not
15 been paid as well as they should be are the lawyers,
16 accountants, finance people, things like that. And, a
17 lot of that money is due -- is part of this rate case.
18 We did a breakdown during the break of payables that --
19 that kind of breaks that down. I'm sure you'll get a
20 copy of it.

21 Q. And, thank you. I meant to say "payables", and I said
22 "receivables". So, I appreciate your correction.

23 A. No problem.

24 MS. HOLLENBERG: One moment please. I

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[WITNESS: Mason]

1 think I'm done.

2 (Atty. Hollenberg conferring with Mr.
3 Eckberg and Ms. McFarland.)

4 MS. HOLLENBERG: I don't have any other
5 questions. Thank you.

6 CHAIRMAN IGNATIUS: All right. Good
7 timing. It's 12:30. Let's take a break for lunch and
8 give Mr. Mason a break.

9 WITNESS MASON: Thank you.

10 CHAIRMAN IGNATIUS: We will return at
11 1:45 to begin. So, if you can try and get here at 1:30
12 and get settled, that will be very helpful. It is our
13 hope that we finish this case today, all of the witnesses.
14 We still have a number to go. And, so, please, to the
15 extent we can keep that in mind and try and shoot for
16 closing out of the evidence today is our hope. Thank you.

17 **(Whereupon the lunch recess was taken at**
18 **12:31 p.m. and the hearing to resume**
19 **under separate cover so designated as**
20 **"Afternoon Session Only".)**

21

22

23

24

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