

Dear Executive Director Howland:

I write to provide this summary on behalf of Lakes Region Water Co., Inc. ("Lakes Region") in accordance with the Secretarial letter dated November 10, 2016. This summary incorporates by reference Lakes Region's October 19, 2016 Response and Exhibits A to Exhibit I, which are already on file and in the record before the Commission. In addition, Lakes Region recommends that its Tariff, available on the Commission's web site, be reserved as Exhibit J, if needed.

In light of the above, Lakes Region offers the following Summary:

i) A list of witnesses they intend to call at the hearing, identifying each witness by name and business and/or home address;

Leah Valladares, Utilities Manager, Lakes Region Water Company, 420 Governor Wentworth Hwy, PO Box 389, Moultonborough, NH 03254

ii) A concise written summary of each witness' position, which should also contain an account of the facts and other relevant topic about which the witness intends to testify;

Leah Valladares will testify as to the facts and exhibits set forth in Lakes Region's October 19, 2016 Response. In addition, she will testify that:

- Lakes Region inspected the customer's property which is as described in the October 19, 2016 Response and Exhibits. The inspection confirmed that the customer has installed a second residence with separate bedrooms, bathrooms and kitchen facilities that is detached from the main residence with its own access. The main residence is intended to be rented separately. As currently constructed by the customer, the service line to the second residence is branched from the main customer residence. One service line now serves both the main customer residence and the second customer residence.
- Lakes Region informed the customer of the requirement to install a second service line for the second residence which is used as owners' quarters, as the primary residence is rented for vacation and other purposes as noted in the documentation provided by Lakes Region. Upon inspection, Lakes Region was satisfied that the facilities constructed by the customer to serve the second residence did not result in a risk of bypass or cross contamination. Lakes Region advised a second service line should have been installed and an application for service submitted. The customer refused to submit an application for service. As a result, Lakes Region billed the customer a second base charge in order to recover for the cost to serve the second customer residence.
- Lakes Region's approved rates for Paradise Shores include both a fixed charge and consumption charge, consistent with traditional rate design and rate making principles. The fixed portion of the customer bill is intended to recover the fixed costs for construction of wells, storage tanks and mains and other improvements. The fixed charge also provides revenue stability because of high seasonal consumption.

- Lakes Region’s approved tariff and rates are based on each separate residence, apartment, business or similar location being a separate customer. Lakes Region applies this requirement uniformly to all customers. This is because the addition of a second residence increases the demand for water on the system. This in turn increases the cost to provide service to customers. Allowing a customer to pay only a single customer charge for two separate residences would result in Lakes Region’s other customers subsidizing service to this customer.
- In order to comply with Lakes Region’s service requirements and the Commission’s regulations governing water service, the Commission should require that the customer submit an application of service and install a second metered service line in compliance with Lakes Region’s Tariff and construction standards.

iii) **A written summary of the legal issues involved in this case. A written summary need not be submitted, but the Commission is interested in how it may apply or interpret its rules when the rules do not specifically address service issues for separate structures on the same parcel of property. See N.H. Code Admin Rule Puc 200 et seq.**

The legal issues in this case are as follows:

Terms of Service. Lakes Region’s approved Tariff is based each separate apartment, residence, condominium unit, or business being charged as a separate service. Lakes Region is obligated to provide service in accordance with the Commission’s water service rules and DES regulations which do not allow cross connections between separate customers receiving service. Allowing a second residence, apartment or business to be constructed and treated as a single customer could result in service that violated the Commission’s rules, below, and DES back flow and cross connections regulations intended to protect public health.

Rates. Lakes Region’s rates are based on each separate customer or residence paying for the cost to receive service. Allowing this customer to pay only a single charge would result in subsidy by Lakes Region’s existing customers, contrary to rate making principles which require that rates be just and reasonable and do not result in subsidy between customers. *See e.g. RSA 378:7; Pennichuck East Utilities, Order No. 25,051* (December 11, 2009) (“those customers would not be paying their fair share of the fixed costs that existing ... customers pay and the effect would be a subsidy”). Lakes Region is prohibited by law from providing free or discounted service to customers, which this customer would receive if the second owner’s quarters did not pay for a separate service. RSA 378:14 & 17.

Commission Regulations. The Commission’s regulations require that each separate apartment or service location be treated as a separate customer. For example:

- Subsection (h) of Puc 606.04 *Valves and Service Connections*, provides that: “Each utility shall require that the customer shall not install any tree or branch connection in the

service pipe.” In this case, the customer has installed a second branch connection in direct violation of Rule 606.04.

- Subsection (j) of Puc 606.04 further provides that each utility “shall require” that all service connections have “an individual shut-off” and that “[n]o tandem services shall be permitted”! The customer has not provided a separate service line with a separate shut-off and has instead constructed a tandem service that is specifically prohibited by rule.
- The Commission’s rules and its regulation of water utilities are based on each separate residence, apartment or place of consumption being treated as a separate customer. Rule Puc 602.05 defines the term "Customer" in the singular as “any person, firm, corporation, cooperative marketing association, utility or governmental unit or subdivision of a municipality or of the state or nation supplied with water service by a utility.” Water service is defined by Puc 602.18, again in the singular, as “the furnishing of water to a customer in this state by a utility.” In each instance, the Commission’s rules refer to a customer in the singular, not in the plural. *See e.g.* Puc 602.06;¹ Puc 602.12;² Puc 602.14.³ The Commission’s water service rules do not contemplate separate or unrelated customers being served on a single service line.
- The Commission’s rules require a separate service line for each customer because service to multiple unrelated customers, apartments, businesses or other customers on a single service line would violate DES rules against cross connection and backflow prevention (as well as Puc 604.04). It is contrary to the rules and practice employed by the Commission when approving rates. It is a practice that is prohibited by law and no reason exists to depart from that requirement here.

iv) All exhibits each party intends to introduce at the hearing. Exhibits should include copies of all correspondence, sketches, notes, and documents including all relevant correspondence between the parties.

- Lakes Region’s October 19, 2016 Response.
- Exhibits A to Exhibit I to Lakes Region’s Response which are already on file and in the record before the Commission.
- Exhibit J. Lakes Region’s approved Tariff (available on the Commission’s web site), if needed

¹ Puc 602.06 "Customer service pipe" means that section of service pipe from the customer's property line or the curbstop to the customer's place of consumption.

² Puc 602.12 "Service connection" means the point of connection between the customer's service pipe and the utility's service line.

³ Puc 602.14 "Service pipe" means the connection between the utility's main and the customer's place of consumption and includes all of the pipe, fittings and valves necessary to make the connection.