

ORIGINAL	
DATE FILED	DW 10-141
FILE NO.	# 6
BY	Panel 2
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BEFORE THE STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

In the matter of:)
 Lakes Region Water Company, Inc.)
 DW 10-141)
 Petition for Authority to Increase Rates)
 Temporary Rate Phase)

Direct Prefiled Testimony

of

**Stephen R. Eckberg
 Utility Analyst**

**on behalf of
 The NH Office of Consumer Advocate**

Dated: November 24, 2010

1 **Q. Please state your name, business address and position.**

2 A. My name is Stephen R. Eckberg. I am employed by the Office of Consumer
3 Advocate (OCA) as a Utility Analyst. I include as Attachment SRE-1 to my
4 testimony a statement of my education and experience.

5
6 **Q. Have you previously testified before the Commission?**

7 A. Yes, I have testified on behalf of the OCA in a number of dockets including both
8 phases of DW 08-070 related to Step Increases to rates for Lakes Region Water
9 Company.

10
11 **Q. Does the OCA support the Settlement Agreement that was filed on November
12 18, 2010 related to Temporary Rates in this Docket?**

13 A. No. The OCA participated in discovery, technical session discussions and settlement
14 discussions. While the OCA is supportive of certain elements included in the
15 Settlement, the OCA believes that the Settlement does not address other critical
16 concerns.

17
18 **Q. Please discuss the aspects of the Settlement Agreement that the OCA supports.**

19 A. The OCA would like to note its strong agreement with the Federal Income Tax rate of
20 zero percent that is applied in the Temporary Rate Settlement revenue requirement
21 calculations. This is consistent with the OCA's testimony in the first phase of DW
22 08-070. In our testimony in that case, we did not support the use of the 15% Federal
23 Income Tax factor for the Company, but instead pointed out that because the
24 Company had paid no Federal Income Tax in 2007 and it did not appear likely that
25 they would do so in 2008, the OCA believed that the appropriate Federal Income tax

1 rate used to calculate rates should have been zero percent. In fact, in response to
2 discovery in this case, the Company provided copies of its Federal Income Tax
3 returns for 2008 and 2009. These returns show that the Company paid no tax in
4 either of those years. It is the OCA's belief that the Company will likely not pay any
5 tax for the next several years. As seen on Schedule 4 of the Settlement Agreement, a
6 rate of 0% is used for the Federal Income Tax rate. We continue to support this
7 approach.

8 The OCA also supports the disallowances, based on the PUC Staff Audit in DW 08-
9 070 regarding capital additions included in the Third Step Increase, that are included
10 in the Settlement.

11

12 **Q. Despite supporting those aspects of the Settlement, does the OCA believe that**
13 **the Company should be allowed a Temporary Rate Increase based on the books**
14 **and records of the Company?**

15 A. No. While the books and records of the Company may demonstrate under-earning
16 and the possible need for a rate increase, the level of that under-earning is unclear,
17 and in the OCA's view is based in part on improper costs. However, for the reasons
18 discussed in this testimony, the OCA recommends that the Commission approve
19 Temporary Rates at a level no higher than current rates.¹ While such a decision does
20 not provide any additional revenue to the Company, it does provide the Company the
21 right to reconcile the amount of any final permanent rate increase back to the
22 effective date of Temporary Rates. More importantly, this approach does not allow

¹ The use of Current Effective Rates as Temporary Rates was approved by the Commission in DW 08-065 in Order No. 24,932.

1 the Company to increase rates until the parties have an opportunity to fully explore
2 the many issues in this case.

3
4 **Q. Please identify the specific issues that the OCA believes must be more fully**
5 **explored and addressed before the Commission approves the temporary rates**
6 **proposed in the Settlement Agreement.**

7 A. The issues include:

- 8 1. Costs related to pensions paid to the Company's owners;
- 9 2. Costs related to long term debt and the interest rate on long term debt paid to
10 the Company's owners;
- 11 3. Costs related to "service trades" between the Company, its affiliate, and third
12 parties;
- 13 4. Revenues related to the Special Contract with the Property Owners
14 Association at Suissevale, Inc., and the possible interconnection of a new
15 development at York Village.

16
17 **Q. Please begin by describing the first issue regarding pensions paid to the**
18 **Company's owners.**

19 A. In response to discovery, the Company provided details showing that it has made
20 weekly payments in the 2009 test year totaling \$52,337.50 to its owners, Thomas
21 Adam Mason (Mr. Mason, Sr.) and Barbara G. Mason, as "pensions."²

22

23

24

² See Attachment SRE-2, Company Response to OCA 1-17.

1 **Q. Please explain how these payments were authorized.**

2 A. My understanding from a discussion at the Technical Session on November 8, 2010
3 is that the Company's owners and sole stockholders voted to authorize payment of
4 these pensions to themselves at a Board of Directors meeting. These payments are
5 not from a funded pension plan, which is the normal approach to providing a pension
6 to retired employees of a regulated utility, but instead are paid directly from the funds
7 collected from today's ratepayers – more like a salary – and perhaps even from funds
8 borrowed from the owners.

9

10 **Q. Does the OCA consider these payments to be a legitimate expense?**

11 A. No. The OCA believes that these payments are not proper and do not represent a
12 prudently incurred expense that should be included in rates – either temporary or
13 permanent – that are paid by the Company's ratepayers. It is the OCA's position that
14 these costs must be removed from the calculation of rates as soon as possible.

15

16 **Q. Please address your second issue regarding costs related to debt, and the interest
17 rate paid to the Company's owners.**

18 A. In the Company's 2009 Annual Report, on the Supplemental Schedule included with
19 Table F-35 regarding Long Term Debt, the Company reports that during the 2009 test
20 year it increased its debt to the Company owners and sole stockholders by \$52,116.
21 The Company's schedule also indicates that it has applied the rate of 9.75% – the
22 Company's last approved equity rate, not an approved debt rate – to this amount as
23 well as to the already existing balance of \$138,739 in debt to the owners. A copy of
24 this Schedule is provided as Attachment SRE-3.

25

1 **Q. Why does the OCA believe that it is appropriate to raise this issue in the context**
2 **of Temporary Rates?**

3 A. We believe that it is necessary and appropriate to do so because the Company is
4 acting imprudently, and without Commission approval. This issue must be addressed
5 now because we believe that the Company has been increasing its long term debt
6 without Commission approval, and has also been applying an unapproved (and very
7 high) interest rate to that long term debt. These costs should not be included in rates,
8 whether Temporary or Permanent. In addition, the Commission should direct the
9 Company to immediately refrain from incurring any more long term debt without
10 approval, and to immediately change the interest rate on the debt to the owners to no
11 higher than the last approved rate of 7.25%.

12
13 **Q. Please address your third issue regarding costs related to so-called “service**
14 **trades” between the Company, its Affiliate, and third parties.**

15 A. The Final Audit Report of the Company’s Third Step Increase filing in DW 08-070
16 identified certain costs related to “service trades” which Audit recommended should
17 be disallowed. The Settlement Agreement filed by Staff and the Company regarding
18 the Third Step Increase did exclude those costs, and in my testimony in that Docket
19 the OCA expressed its support for those cost exclusions. However, the OCA went
20 further in that testimony to describe in more detail how these “service trades” have
21 been explained by the Company, and to express the OCA’s position that all costs
22 related to such “service trades” should be disallowed as they are inappropriate and
23 therefore imprudent costs incurred by the Company. We are concerned that the
24 Company may have continued the practice of using “service trades” and there may be
25 costs included in the Company’s 2009 test year expenses related to these types of

1 activities. It is the OCA's position that these costs must not be included in the
2 calculation of rates.

3
4 **Q. Please address your fourth issue regarding revenues related to the Company's**
5 **Special Contract with the Property Owners Association at Suissevale, Inc**
6 **("POASI" or "Suissevale") and concerns about York Village.**

7 A. I will first discuss issues related to Suissevale, and let me begin by saying that I
8 understand that large and complex issues such as this must be addressed in the
9 Permanent Phase of this rate case. However, this is one example of a major issue, for
10 which costs may have already been incurred, that should be brought to the
11 Commission's attention at this time, and which further supports setting Temporary
12 Rates no higher than Current Rates.

13 In reviewing data included in the Company's 2009 (the test year) Annual Report and
14 other sources cited below, the OCA notes the following statistics regarding the
15 Company and POASI:

- 16 1. The Company provides water directly to approximately 1610 customers and
17 indirectly to approximately 350 households through its Special Contract with
18 POASI. Therefore, POASI represents roughly 18% of the total number of
19 households served by the Company, but it is a wholesale customer.
- 20 2. In 2009, POASI used 11,666,000 gallons of the total 32,887,000 gallons the
21 Company supplied to its customers. Therefore, POASI used roughly 35% of all
22 the water produced.³
- 23 3. POASI's sole approved supply of water is via an interconnection with the
24 Company's Paradise Shores system. In 2009, the Company's Paradise Shores

³ See Schedule 6 of the Settlement filed November 18, 2010 in DW 10-141.

1 system sold 6,140,000 gallons of water to its customers in the Paradise Shores
2 system and 11,666,000 gallons to POASI. Therefore, the Company provided
3 roughly 66% of the water produced in its Paradise Shores system to a single,
4 wholesale customer – POASI.

5 4. In 2009, under its special contract with the Company, POASI paid \$131,382 for
6 water supplied from the Company’s Paradise Shores water system.⁴ The
7 Company’s total income from sales of water in 2009, including POASI’s
8 contribution, was \$897,863.⁵ Therefore, POASI provided roughly 15% of the
9 revenue received by the Company through water sales.

10
11 **Q. Does the OCA have any other relevant information regarding POASI?**

12 A. The OCA understands from discussions with representatives at DES’ Drinking Water
13 and Groundwater Bureau, that the current water supply in Paradise Shores is able to
14 produce adequate water to serve the needs of the customers of this regulated system.⁶
15 However, the Company, as part of this Docket, has requested authority to purchase –
16 from its owners – land to develop additional water supply from what is referred to as
17 the “Mount Roberts property” at an estimated cost of \$1.5 million. The Company’s
18 proposal involves an additional estimated step increase in rates of \$243,146 to fund
19 this transaction. According to the Company filing, this is approximately 40 acres of
20 land currently owned by the Company’s sole shareholders, Mr. Mason Sr. and
21 Barbara G. Mason. The OCA understands that the primary purpose of the proposed
22 acquisition of this land and development of additional water supply in the Paradise

⁴ See Attachment SRE-4, Company response to POASI 1-4.

⁵ See Attachment SRE-5, Table F-47 of the Company’s 2009 Annual Report as revised on June 8, 2010. Copy included as testimony.

⁶ The OCA requested that DES be made a party to this Docket at the prehearing conference.

1 Shores water system is to meet the increasing needs of the system – a system in
2 which POASI consumes roughly two thirds of the water produced, and which
3 according to DES, has current supplies adequate to serve the regulated Paradise
4 Shores customers.

5

6 **Q. Does the OCA have a recommendation on this issue?**

7 A. Not yet. The OCA has identified these facts regarding POASI for the Commission's
8 consideration as it is not at all clear if the revenues realized by the Company through
9 its special contract with POASI sufficiently represent the investment needed to serve
10 these customers. The OCA expects to more fully explore this issue during the
11 permanent rate phase of this case. It is possible that the existing Special Contract
12 needs revision, or that a different form of relationship should be established between
13 POASI and the regulated Company.

14

15 **Q. You also mentioned a development known as York Village. What is the OCA's**
16 **understanding of the issues related to this development?**

17 A. In my testimony regarding the Third Step increase to rates in DE 08-070, I raised the
18 concern that as a result of the interconnection between Gunstock Glen and Brake Hill,
19 there may be new, additional customers and revenues that should be accounted for in
20 calculating the Temporary Rates from a development called York Village, which is
21 located adjacent to both Brake Hill and Gunstock Glen in Gilford. The OCA believes
22 that the water system supplying York Village may be connected to the newly
23 interconnected Brake Hill – Gunstock Glen systems. However, the Company has neither
24 sought a franchise expansion to serve the houses in this development as retail customers,

1 nor has it sought approval of any special contract to serve the development as a wholesale
2 customer.

3

4 **Q. Why does the OCA believe that this development is receiving water service from a**
5 **connection to the interconnected system?**

6 A. There are several indications that there is some relationship here that has not been fully
7 explained by the Company. First, in response to discovery in DW 08-070, the Company
8 provided a copy of the “Design Package for Gunstock Glen / Brake Hill Community
9 Water System” prepared by Lewis Engineering for the Company in July 2007. The cover
10 letter accompanying this plan is addressed to Mr. James Gill, P.E. at the Drinking Water
11 and Groundwater Bureau of DES. The cover letter states in the first paragraph “The
12 expansion is necessary to serve a new development in Gilford and to better serve the
13 existing neighborhood.” I have attached a copy of the cover letter as Attachment SRE-6.
14 Second, during the Technical Session held on November 8, 2010, when asked by the
15 OCA about this development, the Company indicated that it had received a Contribution
16 in Aid of Construction (CIAC) relative to this system. The Company indicated these
17 CIAC amounts were shown in the Company’s Annual Reports. The OCA believes these
18 amounts to be \$68,200 for Mains and \$9,900 for Services as listed in the 2009 Annual
19 Report at Table F-46 relative to the Brake Hill system (BH on Table F-46). I have
20 included a copy of this table as Attachment SRE-7.

21

22 **Q. When was this CIAC contribution received by the Company?**

23 A. I’m not certain. The OCA just learned about this contribution at the November 8, 2010
24 Technical Session. I have checked the Company’s Annual Reports for the last several
25 years and these amounts appear on the 2007 Annual Report as well. This is the earliest
26 Annual Report that was readily available. However, based on the values shown in the

1 Amortization of the CIAC columns, it appears that the CIAC was likely entered on the
2 Company's books in 2007.

3
4 **Q. Is there other information indicating that the development at York Village may be
5 receiving water service from the utility?**

6 A. It is clear from information provided in the Company's response to OCA 4-19 in Docket
7 DW 08-070 (see Attachment SRE-8) that the unregulated affiliate LRW Services has
8 performed a significant amount of work installing mains and services in York Village.
9 This work is the source of the unpaid debt which in turn resulted in the "service trades"
10 discussed in my testimony regarding the Third Step Increase in DW 08-070.

11

12 **Q. What is your overall recommendation for the Commission regarding the
13 Temporary Rate Settlement Agreement?**

14 A. The OCA believes that in light of the significant issues which must be fully
15 examined, and the fact that these issues will impact the Company's expenses and
16 income, the Commission should not approve the Settlement Agreement filed by Staff
17 and the Company, which proposes to grant a Temporary Rate increase of 18.15%.
18 Instead, the OCA respectfully requests that the Commission set Temporary Rates at
19 the level of Current Rates.

20

21 **Q. Does this conclude your testimony?**

22 A. Yes.

Qualifications of Stephen R. Eckberg

My name is Stephen R. Eckberg. I am employed as a Utility Analyst with the Office of Consumer Advocate (OCA), where I have worked since 2007. My business address is 21 S. Fruit Street, Suite 18, Concord, New Hampshire 03301.

I earned a B.S. in Meteorology from the State University of New York at Oswego in 1978, and an M.S. in Statistics from the University of Southern Maine in 1994.

After receiving my M.S., I was employed as an analyst in the Boston office of Hagler Baily, Inc, a consulting firm working with regulated utilities to perform evaluations of energy efficiency and demand-side management programs.

From 2000 through 2003, I was employed at the NH Governor's Office of Energy and Community Services (now the Office of Energy and Planning) as the Director of the Weatherization Assistance Program. More recently, I was employed at Belknap-Merrimack Community Action Agency as the Statewide Program Administrator of the NH Electric Assistance Program (EAP). In that capacity, I presented testimony before this Commission in dockets related to the design, implementation and management of the EAP. I have also testified before Committees of the New Hampshire Legislature on issues related to energy efficiency and low income electric assistance.

In my position with the OCA, I have testified jointly with Kenneth E. Traum, Assistant Consumer Advocate, in the following dockets:

- DG 08-048 Unitil Corporation and Northern Utilities, Inc. Joint Petition for Approval of Stock Acquisition.
- DW 08-070 Lakes Region Water Company Petition for Financing and Step Increases.

- DW 08-098 Aquarion Water Company of New Hampshire.
- DE 09-035 Public Service of New Hampshire Distribution Service Rate Case.

I have also entered (non-joint) testimony in:

- DT 07-027 Kearsarge Telephone Company, Wilton Telephone Company Hollis Telephone Company and Merrimack County Telephone Company Petition for Alternative Form of Regulation. Phase II and Phase III.
- DW 08-073 Pennichuck Water Works, Inc. Petition for Rate Increase.
- DW 08-070 Lakes Region Water Company Third Step Increase.
- DW 08-065 Hampstead Area Water Company, Petition for Rate Increase.
- DE 09-170 2010 CORE Energy Efficiency Programs.
- DE 10-188 2011-2012 CORE and Natural Gas Energy Efficiency Programs.

I have attended regulatory training at New Mexico State University's Center for Public Utilities. I participate in committees of the National Association of State Consumer Advocates (NASUCA) on behalf of the OCA. I am a member of the American Statistical Association.

Lakes Region Water Company
Docket DW 10-141
Rate Case
Company Responses to OCA Data Requests Set 1

OCA 1-17

Witness: Norm Roberge

Please provide a complete itemized list of, and explanation for all amounts and payments made by the Company to Thomas Adam Mason and/or Barbara Mason during the 2009 test year.

Response:

See attached schedule for pension payments to Thomas Adam Mason and Barbara Mason. Also, see attached schedule for loan reduction payments to Thomas Adam Mason and Barbara Mason.

DW 10-141			
OCA Data Request Set 1 # 17			
Response: Lakes Region Water Company, Inc. -			Witness: Norman Roberge
Date	Thomas Adam Mason	Barbara G Mason	Thomas Adam Mason
	Pension	Pension	Loan Reduction
01/02/09	\$ 680.00	\$ 307.50	\$ 571.45
01/09/09	\$ 680.00	\$ 307.50	\$ 571.45
01/16/09	\$ 680.00	\$ 307.50	\$ 571.45
01/23/09	\$ 680.00	\$ 307.50	\$ 571.45
01/30/09	\$ 680.00	\$ 307.50	\$ 571.45
02/06/09	\$ 680.00	\$ 307.50	\$ 571.45
02/13/09	\$ 680.00	\$ 307.50	\$ 571.45
02/20/09	\$ 680.00	\$ 307.50	\$ 571.00
02/27/09	\$ 680.00	\$ 307.50	\$ 571.00
03/06/09	\$ 680.00	\$ 307.50	\$ 571.00
03/13/09	\$ 680.00	\$ 307.50	\$ 571.00
03/20/09	\$ 680.00	\$ 307.50	\$ 571.00
03/27/09	\$ 680.00	\$ 307.50	\$ 571.00
04/03/09	\$ 680.00	\$ 307.50	\$ 571.00
04/10/09	\$ 680.00	\$ 307.50	\$ 571.00
04/17/09	\$ 680.00	\$ 307.50	\$ 571.00
04/24/09	\$ 680.00	\$ 307.50	\$ 571.00
05/01/09	\$ 680.00	\$ 307.50	\$ 571.00
05/08/09	\$ 680.00	\$ 307.50	\$ 571.00
05/15/09	\$ 680.00	\$ 307.50	\$ 571.00
05/22/09	\$ 680.00	\$ 307.50	\$ 571.00
05/29/09	\$ 680.00	\$ 307.50	\$ 571.00
06/05/09	\$ 680.00	\$ 307.50	\$ 571.00
06/12/09	\$ 680.00	\$ 307.50	\$ 571.00
06/19/09	\$ 680.00	\$ 307.50	\$ 571.00
06/26/09	\$ 680.00	\$ 307.50	\$ 571.00
07/03/09	\$ 680.00	\$ 307.50	\$ 571.00
07/10/09	\$ 680.00	\$ 307.50	\$ 571.00
07/17/09	\$ 680.00	\$ 307.50	\$ 571.00
07/24/09	\$ 680.00	\$ 307.50	\$ 571.00
07/31/09	\$ 680.00	\$ 307.50	\$ 571.00
08/07/09	\$ 680.00	\$ 307.50	\$ 571.00
08/14/09	\$ 680.00	\$ 307.50	\$ 571.00
08/21/09	\$ 680.00	\$ 307.50	\$ 571.00
08/28/09	\$ 680.00	\$ 307.50	\$ 571.00
09/04/09	\$ 680.00	\$ 307.50	\$ 571.00
09/11/09	\$ 680.00	\$ 307.50	\$ 571.00
09/18/09	\$ 680.00	\$ 307.50	\$ 571.00
09/25/09	\$ 680.00	\$ 307.50	\$ 571.00
10/02/09	\$ 680.00	\$ 307.50	\$ 571.00
10/09/09	\$ 680.00	\$ 307.50	\$ 571.00
10/16/09	\$ 680.00	\$ 307.50	\$ 571.00
10/23/09	\$ 680.00	\$ 307.50	\$ 571.00
10/30/09	\$ 680.00	\$ 307.50	\$ 571.00
11/06/09	\$ 680.00	\$ 307.50	\$ 571.00
11/13/09	\$ 680.00	\$ 307.50	\$ 571.00
11/20/09	\$ 680.00	\$ 307.50	\$ 571.00
11/27/09	\$ 680.00	\$ 307.50	\$ 571.00
12/04/09	\$ 680.00	\$ 307.50	\$ 571.00
12/11/09	\$ 680.00	\$ 307.50	\$ 571.00
12/18/09	\$ 680.00	\$ 307.50	\$ 571.00
12/25/09	\$ 680.00	\$ 307.50	\$ 571.00
12/31/09	\$ 680.00	\$ 307.50	\$ 571.00
Total	\$ 36,040.00	\$ 16,297.50	\$ 30,266.15

F-35 LONG TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet accounts particulars concerning long-term debt included in Accounts 221, Bonds; 222, Reacquired Bonds; 223, Advances from Associated Companies; and 224, Other Long-Term Debt.
2. For bonds assumed by the respondent, column (a) should include name of the issuing company as well as the description of the bonds.
3. Advances from Associated Companies should be reported separately for advances on notes, and advances on open accounts. Demand notes shall be designated as such. Names of associated companies from which advances were received shall be shown in col. (a).
4. In an insert schedule give explanatory particulars for accounts 223, and 224 of net changes during the year. With respect to long-term advances show for each company (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization case numbers and dates.
5. If the respondent has pledged any of its long-term debt securities, give particulars in a footnote, including name of the pledge and purpose of the pledge.
6. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
7. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain any difference between the total of column (f) and the total of Account 427, Interest on Long-term Debt, and Account 430, Interest on Debt to Associated Companies.
8. Give particulars concerning any long-term debt authorized by the commission but not yet issued.

Line No.	Class and Series of Obligation (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding (d)	INTEREST FOR YEAR		HELD BY RESPONDENT		
					Rate (e)	Amount (f)	Reacquired Bonds (Acct. 222) (g)	Sinking and Other Funds (h)	Redemption Price per \$100 End of Year (i)
1	Bonds (Account 221)								
2									
3	See Supplemental Schedule.								
4									
5									
6									
7									
8									
9									
10									
11									
12	TOTALS			\$ 777,322		\$ 58,719			
13	Advances from Associated Companies (Account 223)								
14									
15									
16	TOTALS								
17	Other Long Term Debt (Account 224)								
18									
19	See Supplemental Schedule.								
20									
21									
22									
23									
24									
25									
26									
27	TOTALS			382,596		\$ 23,514			

Lakes Region Water Co., Inc
 Year Ended December 31, 2009

Schedule of Notes Payable, Accrued Interest, Interest Expense & Capitalized Interest

Amended 06/03/10

Obligation (a)	Date of Issue (b)	Original Amount (c)	Date of Maturity (d)	Principal Balance 12/31/2008 (e)	Additions (f)	Reductions (g)	Balance 12/31/2009 (h)	% Rate (i)	Accrued 12/31/2008 (j)	Incurred a/c #427 (k)	Interest Paid (l)	Accrued 12/31/2009 (m)
TD Banknorth - 5 (Refin)	1/13/2004	\$ 500,000	1/13/2014	\$ 388,656	-	(28,839)	359,817	6.09%				
TD Banknorth - 6 (construction)	1/13/2004	385,000	1/13/2015	327,490	-	(19,799)	307,691	7.47%	651	23,919	(23,730)	840
TD Banknorth - 7(syst purch)	12/29/2004	142,000	12/29/2014	118,517	-	(8,702)	109,815	7.29%	536	24,720	(24,375)	881
Sub - Total (Sch F-35) (BS Line 13)				<u>834,663</u>	<u>-</u>	<u>(57,340)</u>	<u>777,323</u>		<u>308</u>	<u>10,080</u>	<u>(10,081)</u>	<u>307</u>
									<u>1,495</u>	<u>58,719</u>	<u>(58,186)</u>	<u>2,028</u>
N/P Citizens 2007 Sierra	7/16/2007	13,479	7/16/2012	10,260		(2,561)	7,699	8.49%				
N/P LSB - 2006 Sierra	8/14/2006	40,918	7/14/2011	22,957		(22,957)	0	7.49%	9	802	(786)	25
N/P GEHL Finance - Mustang Excavator	8/2/2004	20,350	9/2/2009	2,930		(2,930)	-	3.00%	-	665	(665)	-
N/P Key Equipment - Meter Reader	1/2/2007	9,049	3/2/2009	873		(873)	0	13.00%	-	(29)	29	-
N/P Santander (formerly Sovereign Bank) -	11/17/2007	32,670	12/31/2013	26,921		(5,935)	20,986	6.39%	-	137	(137)	-
N/P St Mary's Bank - 2008 Chev Colorado	5/28/2008	18,026	7/12/2013	16,486		(3,305)	13,181	5.75%	143	1,880	(1,972)	51
N/P Bank of America - Copier (capital Lease	6/4/2008	5,689	6/4/2012	5,037		(1,347)	3,690	5.20%	-	862	(862)	-
N/P St Mary's Bank - 2008 Chev Colorado	5/31/2009	18,865	8/14/2013	-	18,865	(2,323)	16,542	5.90%	-	230	(230)	-
N/P NHD0C	10/7/2009	110,000	10/3.1/2012	-	110,000	(6,120)	103,880		-	636	(636)	-
N/P GEHL Finance - Mustang Excavator	11/13/2009	26,200	11/13/2014	-	26,200	(437)	25,763		-			-
N/P Tom & Barbara Mason (Stockholders)				138,739	52,116		190,855	9.75%				
Sub-Total (Sch F-35) (BS Line 16)				<u>224,202</u>	<u>207,181</u>	<u>(48,788)</u>	<u>382,596</u>		<u>62,672</u>	<u>18,331</u>		<u>81,003</u>
Total Long Term Debt (BS Line 17)				<u>1,058,865</u>	<u>207,181</u>	<u>(106,128)</u>	<u>1,159,918</u>		<u>62,824</u>	<u>23,514</u>	<u>(5,259)</u>	<u>81,079</u>
TD Banknorth - 4 (line of credit)				-	-	-	-		-	-	-	-
Total Note Payable (BS Line 232)				-	-	-	-		-	-	-	-
Vendors				-	-	-	-		-	-	-	-
Total This Schedule				<u>1,058,865</u>	<u>207,181</u>	<u>(106,128)</u>	<u>1,159,918</u>		<u>64,319</u>	<u>95,154</u>	<u>(76,366)</u>	<u>83,107</u>
Total Interest Expense (IS Line 27)												
Total Accrued Interest (BS Line 24)												
								Capitalized interest				
								Net Expense		<u>95,154</u>		

DW 10-141
LAKES REGION WATER COMPANY, INC.
RESPONSES TO

Property Owners Association at Suissevale, Inc. (POASI) Data Request 1

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POASI 1-4

Please provide the total revenues collected by Lakes Region from POASI for each of the following years 2008, 2009 and 2010 to date.

LRWC RESPONSE by Norm Roberge

	<u>2008</u>	<u>2009</u>	<u>2010 (09/30)</u>
POASI Revenues	\$70,523	\$131,832	\$130,440

F-47 OPERATING REVENUES (Accounts 400)

1. Report below the amount of operating revenue for the year for each prescribed account and the amount of increase or decrease over the preceding year.
2. If increases and decreases are not derived from previously reported figures explain any inconsistencies.
3. Number of customers should be reported on the basis of number of meters, plus number of flat rate accounts, except that where separate meter readings are added for billing purposes, one customer shall be counted for each group of meters so added. The average number of customers means the average of the 12 figures at the close of each month.
4. Total Water Operating Revenues, line 14 should agree with schedule F-2, Income Statement, line 1.

Line No.	Account (a)	OPERATING REVENUES			NUMBER OF THOUSAND GALLONS SOLD		AVG NO. OF CUSTOMERS PER MONTH	
		Amount for 2009 (a)	Amount for 2008 (b)	Increase or Decrease from Preceding Year (c)	Amount for Year (d)	Increase or Decrease from Preceding Year (e)	Number for Year (f)	Increase or Decrease from Preceding Year (g)
	SALES OF WATER							
1	460 Unmetered Sales to General Customers	\$ 274,042	\$ 231,691	\$ 42,351				
2	461 Metered Sales to General Customers	\$ 623,821	\$ 499,014	\$ 124,807				
3	462 Fire Protection Revenue				44,262	11,806	575	5
4	466 Sales for Resale						1,041	3
5	467 Interdepartmental Sales							
6	Total Sales of Water	\$ 897,863	\$ 730,705	\$ 167,158	44,262	11,806	1,616	8
	OTHER OPERATING REVENUES							
7	470 Forfeited Discounts							
8	471 Miscellaneous Service Revenues	75,100	48,706	26,394				
9	472 Rents from Water Property	-	1,670	(1,670)				
10	473 Interdepartmental Rents							
11	474 Other Water Revenues	18,001	33,276	(15,275)				
12	Total Other Operating Revenues	\$ 93,101	\$ 83,652	\$ 9,449				
13	400 Total Water Operating Revenues	\$ 990,964	\$ 814,357	\$ 176,607				

BILLING ROUTINE

Report the following information in days for Accounts 460 and 461:

1. The period for which bills are rendered Quarterly
2. The period between the date meters are read and the date customers are billed 5 days
3. The period between the billing date and the date on which discounts are forfeited Not Applicable

Design Package
for
Gunstock Glen/ Brake Hill
Community Water System
Guilford, New Hampshire

Prepared for:
Thomas Mason, Jr.
LRWC
Moultonborough, NH 03254

Submitted To:
Drinking Water and Groundwater Bureau
Mr. James Gill, P.E.
Concord, NH

Lewis Engineering, PLLC
Litchfield, NH 03053
July 2007

Lewis Engineering, PLLC
Specializing in Water System Designs & Approvals

44 Stark Lane Litchfield, NH 03052

July 27th, 2007

Mr. James Gill, P.E.
NH Drinking Water and Groundwater Bureau
6 Hazen Drive
P.O. Box 95
Concord, NH 03302-0095

**Re: Expansion of Existing Gunstock Glen Community Water System and
Interconnection of Gunstock Glen and Brake Hill Water Systems in Gilford, New
Hampshire**

Dear Jim:

Lewis Engineering, PLLC, has been retained by Mr. Thomas Mason, Jr. of Lakes Region Water Company, Inc. in Moultonborough, NH to assist in the layout and design of the expansion of the existing Gunstock Glen Community Water System in Gilford, NH. The expansion is necessary to serve a new development in Gilford and to better serve the existing neighborhood.

The new project is to be an adult housing community, consisting of 17, two bedroom units and a club house. This proposed project site is located generally south of Belknap Mountain Road, across from Hatch Drive in Gilford, NH. The existing Gunstock Glen CWS located east of Hatch Drive at the corner of Hatch and Hawthorne Way currently serves approximately 55 existing single family homes. The Gunstock Glen CWS utilizes one bedrock well located within the station, a 25,000 gallon atmospheric tank, two 3,000 gallon pressurized storage tanks, and two small booster pumps. The existing Brake Hill CWS located west of Belknap Mountain Road currently serves approximately 36 existing single family homes. The Brake Hill CWS utilizes two bedrock wells; one of the wells is located within the existing CWS station and the other well is located just south of the station. When the two water systems are connected these wells will only be used as back-up and the 18,000 below grade atmospheric storage tank at Brake Hill will be disconnected. All new metering, electrical, automatic controls, booster pumps and other necessary equipment will be installed in the expanded Gunstock Glen

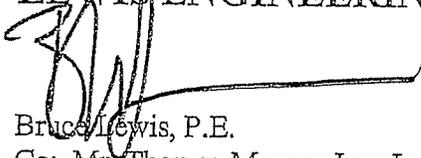
CWS. The existing pressure tanks at Gunstock Glen will also be converted to atmospheric storage resulting in a total of 31,000 gallons atmospheric storage. The expanded Gunstock Glen CWS will provide an average of 41,300 gpd to all existing and future homes within the area. The consolidation of the two systems will be more efficient and will provide better water service to the neighborhood.

All system components are designed and will be installed in accordance with NHDES rules. The water system will continue to be owned, operated, and maintained by the Lakes Region Water Company.

Your timely review and approval of the expansion of the Gunstock Glen Community Water System would be greatly appreciated. Please contact the office if there are any questions, or if additional information is required, T- 603-886-4985, F- 5149.

Respectfully,

LEWIS ENGINEERING, PLLC



Bruce Lewis, P.E.

Cc: Mr. Thomas Mason, Jr. – Lakes Region Water Company, Inc,

LISTING OF EXHIBITS

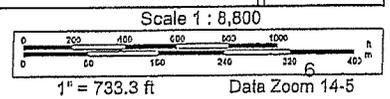
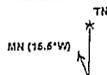
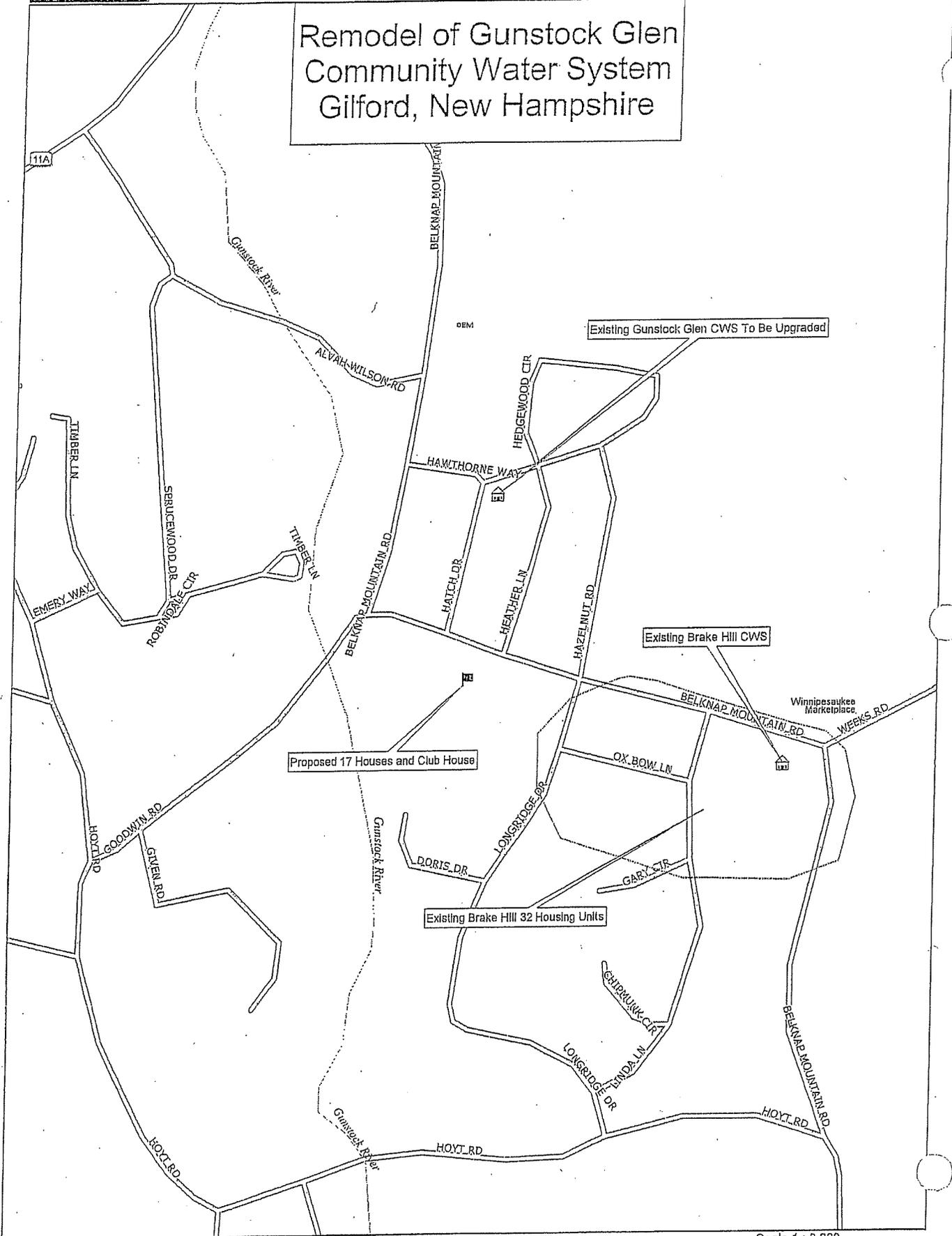
- I. GENERAL LOCUS PLAN
- II. PUMP STATION SITE PLAN, BUILDING PLAN, AND JUNE 2007 PHOTO TOUR
- III. SUMMARY OF PROPOSED DESIGN CRITERIA
- IV. ENGINEERING DESIGN AND OPERATIONAL SUMMARY
- V. WELL PROFILES, WELL PUMP & METERING DATA
- VI. ATMOSPHERIC STORAGE
- VII. SYSTEM HYDRAULIC ANALYSIS
- VIII. BOOSTER PUMP CURVES & METERING DATA
- IX. ELECTRICAL COMPONENTS & CONTROLS
- X. TYPICAL CUT SHEETS FOR OTHER PUMP STATION COMPONENTS

EXHIBIT I

GENERAL LOCUS PLAN



Remodel of Gunstock Glen Community Water System Gilford, New Hampshire



Lakes Region Water Co., Inc.
 F-46 Contributions in Aid of Construction

Year Ended December 31, 2009

Division	Class of Property	Amort. Rate	CIAC	Redistribution of WIP	Sch 46.3	CIAC	Amortization		Amortization	
			Balance 12/31/2008		Contractors Developers Retirement		Balance 12/31/2009	Balance 12/31/2008		Acct. 405 Amortization
1	FEH	Mains	2.00%	600			600	211	12	223
2	PS	Mains	2.00%	150,166			150,166	86,268	3,003	89,271
2	PS	Mains	2.00%	3,000			3,000	1,050	60	1,110
2	PS	Mains	2.00%	3,000			3,000	990	60	1,050
2	PS	Mains	2.00%	2,400			2,400	900	60	960
2	PS	Services	3.33%	17,437			17,437	12,497	581	13,078
2	PS	Services	2.00%	600			600	370	20	390
2	PS	Meter	5.00%	3,495			3,495	525	175	700
2	PS	Tank (work in progress)		-			-	-	-	-
2	PS	Tank	2.22%	210,000			210,000	2,333	4,667	7,000
2	PS	Mains	2.00%	90,000			90,000	900	1,800	2,700
2	PS	Hydrants	2.00%	8,974			8,974	90	179	269
3	WP	Mains	2.00%	600			600	170	12	182
4	WVG	Mains	2.00%	300			300	117	6	123
4	WVG	Mains	2.00%	600			600	162	12	174
5	HV	Mains	2.00%	384			384	154	8	162
5	HV	Mains	2.00%	1,200			1,200	444	24	468
5	HV	Mains	2.00%	600			600	210	12	222
5	HV	Mains	2.00%	600			600	198	12	210
5	HV	Services	2.00%	1,716			1,716	1,144	57	1,201
5	HV	Mains	2.00%	600			600	174	12	186
5	HV	Mains	2.00%	1,697			1,697	1,449	47	1,496
6	WC	Mains	2.00%	5,712			5,712	4,045	114	4,159
6	WC	Mains	2.00%	1,373			1,373	589	27	616
6	WC	Mains	2.00%	796			796	529	27	556
6	WC	Mains	2.00%	5,000			5,000	640	50	690
11	BH	Mains	2.00%	68,200			68,200	1,364	682	2,046
11	BH	Services	3.33%	9,900			9,900	198	99	297
12	TWW	Mains	2.00%	249,206			249,206	32,372	4,984	37,356
13	175E	Mains	2.50%	-			-	(10,648)	-	(10,648)
13	175E	Mains	2.50%	10,943			10,943	8,174	109	8,283
		Rounding		-			-			
		Total		849,099	-	-	849,099	147,619	16,911	164,530

Lakes Region Water Company
Docket DW 08-070
Company responses to OCA Set 4 Data Requests
Regarding Step 3

OCA 4-19

Witness: Tom Mason

The final paragraph on page 10 of the Audit Report states "Audit notes that the Company stated on four occasions that a job cost was arrived at through an agreement 'reached between the parties as a service trade,' using the dollar amount a company owed LRW as a basis." Please provide detailed explanations of the four occasions when the regulated Company established a job cost this way, including the amounts that the regulated Company paid to the Service Company on each occasion. Please include in each of the four explanations a description of the work performed by LRW Services for the third party, and a description of the work performed by the third party for the regulated LRW Company.

Response:

In February 2007, LRWS made a proposal to Belknap Mountain Rd LLC for certain work in connection with the York Village water system (see attached proposal dated 2/20/07). Belknap Mountain Rd LLC ultimately retained LRWS to perform the work. As of December 2008, the balance owed to LRWS for this work was \$48,000 (see 11/12/10 statement).

In the Fall 2009, and at the request of LRW, LRWS performed the work contemplated under Step 3. LRWS subcontracted a portion of the work to Superior Construction, the principals of which are the same as the principals of Belknap Mountain Rd LLC. Superior issued invoices to LRWS on 11/11/09 (invoice #2009057), 11/19/09 (invoice #2009070), and 11/20/09 (invoice #2009085). The invoices, which are attached, totaled \$12,500. As the work was performed as part of Step 3, the invoices were passed through to LRW.

Belknap Mountain Road, LLC has been unable to pay the LRWS bill. As a result, an agreement was reached that the bill otherwise due from LRW and LRWS to Superior for the Step 3 work would be offset against amounts owed to LRWS for the York Village work. The benefit of this to the utility is that it did not have to outlay cash to pay the Superior bill. Instead, LRWS assigned a portion of the debt owed to it by York to the utility and, in essence, the utility used this credit to pay Superior for the Step 3 work (see 11/12/10 Statement which illustrates credits on York Village statement). Nonetheless, and even though cash did not change hands, real work was performed that provided real value to LRW.

LRW Water Service, Inc.
P. O. Box 309
Moultonboro, NH 03254
Day/Eve 603-476-5378/344-5363

PROPOSAL

DATE	PROPOSAL 03
2/20/2007	123

NAME / ADDRESS
York Village c/o Steve Converse 286 White Oaks Road Laconia, NH 03246

DESCRIPTION	
Install 4" PVC Water Main Per Fluet Plans & Specs Install (18) Curbstops Provide Parts & Materials For (18) Unit Hookups Upgrade Pump Station Per D.E.S. Requirements Pump Test Existing Wells Per D.E.S. Requirements Obtain All D.E.S. Permits For Water System	
Note: Any Blasting Of Ledge Or Large Boulders Will Be An Additional Fee	
We Propose hereby to furnish material and labor-complete in accordance with specifications for the sum of: Total - \$95,000.00 - \$30,00.00 To Begin Project - Balance To Be Negotiated	

\$0.00

Acceptance Of Proposal -The above prices, specifications and conditions are hereby accepted. You are authorized to do the specified work. Payment will be made as above.

Authorized Signature _____

LRW Water Service, Inc.
 P. O. Box 309
 Moultonboro, NH 03254
 Day/Eve 603-476-5378/344-5363

Statement

Date
11/12/2010

To:

York Village
 c/o Steve Converse
 286 White Oaks Road
 Laconia, NH 03246

		Amount Due	Amount Enc.
		\$21,500.00	
Date	Transaction	Amount	Balance
12/31/2007	Balance forward		\$2,250.00
11/30/2008	CREDMEM #98850.		48,000.00
03/05/2009	CREDMEM #98903. Credit For Control Bldg. Balmoral	-4,250.00	38,000.00
07/20/2009	PMT	-10,000.00	34,000.00
11/12/2009	CREDMEM #99566. 12 x 16 pad Brake Hill #2009057	-4,000.00	31,800.00
11/22/2009	CREDMEM #99568. 12 x 16 Bldg BH #2009070	-2,200.00	22,300.00
11/25/2009	CREDMEM #99571. Paving Heather Lane #2009085	-9,500.00	21,500.00
		-800.00	

CURRENT	1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	Amount Due
0.00	0.00	0.00	0.00	21,500.00	\$21,500.00

Superior Construction
 286 White Oaks Rd
 Laconia NH 03246

Invoice

Date	Invoice #
11/11/2009	2009057

Bill To
LRW Water Services P.o Box 389 Moultonboro NH 03254

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	Form and pour (12 x 16) concrete pad for new control building at Brake Hill	2,200.00	2,200.00
	Please apply the payment for this bill towards bal owed by Belknap mnt rd llc reference York Village water system		
Thank you for your business.		Total	\$2,200.00

Superior Construction
 286 White Oaks Rd
 Laconia NH 03246

Invoice

Date	Invoice #
11/19/2009	2009070

Bill To
LRW Water Services P.o Box 389 Moultonboro NH 03254

P.O. No.	Terms	Project

Quantity	Description	Rate	Amount
	Frame, Roof, Side, Insulate and finish interior 16x12 pump station in Gilford	9,500.00	9,500.00
	Please apply the payment for this bill towards bal owed by Belknap mnt rd llc reference York Village water system		
Thank you for your business.		Total	\$9,500.00