

CHAIRMAN
Thomas B. Getz

COMMISSIONERS
Clifton C. Below
Amy L. Ignatius

EXECUTIVE DIRECTOR
AND SECRETARY
Debra A. Howland

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

March 14, 2011

Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 S. Fruit St., Suite 10
Concord, New Hampshire 03301

Re: DW 10-141 Lakes Region Water Company, Inc.
March 10, 2011 Motion for Clarification



Dear Ms. Howland:

On March 10, 2011, Lakes Region Water Company, Inc. (LRWC) filed with the Commission a Motion for Clarification with respect to Order No. 25,196 which was issued February 18, 2011 in this docket. LRWC seeks clarification as to whether or not this Commission order on temporary rates intended to provide authority for the company to recover at this time the temporary rates which are reconcilable to September 17, 2010. LRWC's request is essentially for authority to bill an "interim surcharge" which results from reconciling the company's existing rates with the temporary rates just approved in Order No. 25,196. The company asserts this interim surcharge is needed due to the company's current cash flow difficulties. Because several months have passed, billing customers now for the new higher temporary rates does not "reach back" to September 17, and thus there remains unbilled revenues, i.e. the difference between existing rates and temporary rates, that the company is entitled to. This letter is intended to provide Staff's response to LRWC's request for implementation of this "interim surcharge"

Staff recognizes that, while the statutes do not specifically provide for an "interim surcharge" or "interim recoupment" of revenues from existing rates to temporary rates, the Commission may have the flexibility to authorize it. Staff is reluctant to support it because of several factors, including 1) customer confusion in implementing a surcharge now and the likelihood of another surcharge or refund at the conclusion of the docket, and 2) that RSA 378:29 regarding reconciliation of temporary rates only contemplates recoupment or refund of the difference between permanent rates and temporary rates, NOT between existing and temporary rates. A factor which favors the proposal is that what seems likely to be a final recoupment at the end of the rate case would ultimately be less.

Staff appreciates that the company is facing severe cash flow difficulties. In a final audit report dated February 15, 2011 the Commission Audit Staff indicates that nearly 70% of the company's accounts payable are 90 or more days past due. And it is already in the record of this docket that the company has taken loans from its stockholders for working capital purposes. However, we also acknowledge that many customers are having cash flow difficulties in the current economy. Therefore Staff neither supports nor opposes the company's proposal for an "interim surcharge" but provides this summary of Staff's views for the Commission's consideration.

Sincerely,

A handwritten signature in blue ink that reads "Mark A. Naylor". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Mark A. Naylor
Director, Gas & Water Division

Cc: service list