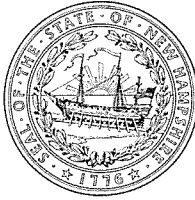


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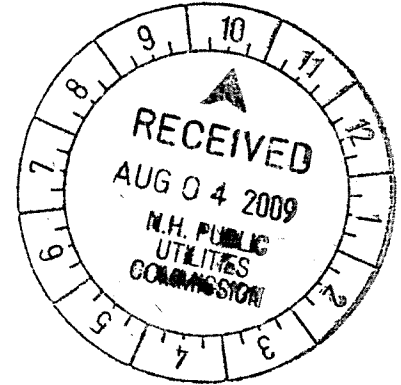
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August 4, 2009

Debra A. Howland, Executive Director
N.H. Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Re: DW 07-105 Lakes Region Water Company, Inc. (LRWC)
Report of July 16, 2009 Monitoring Technical Session



Dear Ms. Howland:

In accordance with Order No. 24,877, Staff and the parties held a technical session on July 16, 2009, to monitor progress on various issues as described below. Staff offers the following report of that meeting. Attendees to the meeting included LRWC, Staff, OCA, Department of Environmental Services (DES), and Hidden Valley Homeowners Association.

American Recovery and Reinvestment Act (ARRA) of 2009

LRWC is undertaking numerous projects under the ARRA program. DES reports that it has received one complete application, Tamworth uranium project. DES has received a partial application for Woodland Grove. DES will need financial information from the stockholders. DES stated it needed the project applications for July 20, 2009 in order to keep on track with their own G&C approval and loan closing schedule. DES stated that LRWC will need to provide a scope of work that is detailed. A discussion ensued as to how LRWC will fund the start of the projects prior to it receiving regular payments from the construction loan phase of the program.

The participants also discussed LRWC's use of affiliates and that affiliate agreements would be necessary to clearly delineate roles. DES stated that it needed the project details to show who would be doing what work. Some things would be force account and some would be outside vendors. Tamworth could be all outside vendor work. LRWC will not combine force account with outside vendors in a single project.

Gunstock Glen is the longest project out so it will likely go into next year. All of this work should be done by end of next summer. Then six months later, the repayments will commence. LRWC plans to hire someone to oversee implementation of the ARRA projects since the

employee could be paid for by the ARRA funds. DES strongly encouraged the idea to hire a clerk of works.

DES still needs to go before Business Finance Authority. BFI will be looking for a personal guarantee from the owners of the company. DES needs an authorization that Tom Mason (Jr.) can act on behalf of the company. DES needs articles of incorporation. If DES gets project needs from LRWC next week, then DES will have loan documents. G&C 8/19/09 and can submit them as late items.

Hidden Valley

DES's Administrative Order has been closed and all items have been addressed. There is ongoing raw water sampling at the system. LRWC is late in one report but stated that it is aware of the obligation and that the report will be provided to DES soon.

DES believes capacity issues at Hidden Valley are addressed. There are no low pressure events at Hidden Valley that DES is aware of. One lingering issue concerns one meter that still needs to be installed. Water quality is being tracked.

David Smith of the homeowners association listed the association's historic concerns: 1) breakdowns and lack of service; 2) supply was an issue since there was a moratorium in place on new connection; 3) safety and water quality was a concern; 4) timely repair and replacement issue and this relates to the fact that the original installation was deficient. Hidden Valley has seen positive results in recent months but David Smith still has concerns as to the timeliness of LRWC's response to breaks.

OCA reported that it sought a list of consumer complaints from the PUC for the past six months and compared the report to the same time period a year ago. There were 13 contacts from LRWC customers in the first 6 months of 2009 and this compares to 31 contacts from customers in 2008. David Smith states that this is because the system is much, much better now.

Tamworth

No further update.

Far Echo

Last winter the primary source, an infiltration trench that extends into the lake, froze. DES is offering the technical capacity to take a sample to analyze the water and see if the water is more akin to surface rather than ground water. LRWC will have to pay for the lab fees but DES will provide the technical expertise. This is a 1970's system. The last time the trench was repacked with sand was 2004. These were intended for three-season communities and DES approved this system back in the 1970's. Best time to sample is fall. LRWC does monthly bacteria samples and does UV treatment. It is a very low-use water system with no winter use.

Operator's License

Tom Mason (Sr)'s water license has been revoked/surrendered. Tom Mason Sr. is de-listed as an operator. Tom Mason (Jr.) is now listed as the primary operator.

Accounting

LRWC has a signed contract for services with Norman Roberge.

Management Meetings

Bi-Weekly management meetings are still occurring. Tom Mason (Jr.) is running the company.

Paradise Shores

DES provided LRWC with interim approval to use the Mount Roberts well over the 4th of July. The interim approval was a proactive request of LRWC. DES has issued a moratorium on new connections. There is one (old) outstanding letter of deficiency that has deadlines for going through the new source development permitting process. Submission of a preliminary well siting report is due July 29, 2009. Once the date passes with no submission, DES could issue an AO. LRWC states that it has no money to conduct the project and can't obtain bank financing. This is the first year with the new tank and over the 4th of July LRWC never needed to use the Mount Roberts well but had it approved if it needed it.

Tank fencing and roof membrane has been put on hold as well due to the lack of funding.

White Mountain Resort

The Letter of Deficiency has been resolved.

LOV/Freedom Village

The Indian Mound project became much worse then LRWC anticipated. Instead of the project just being replumbing, it turned out that the tank needs to be replaced.

Gunstock/Brake Hill

LRWC states that it still needs to do the Brake Hill side of the project, but that the Gunstock Glen side is running. Still need a radio control building on the Brake Hill side. Will be pulling both tanks since they are no longer needed. After completion of Brake Hill, LRWC can file for its third step increase in rates. LRWC anticipates filing that in September.

Next Meeting

Friday, October 2, 2009, 9 am, at the Commission.

DW 07-105 Lakes Region Water Company, Inc.
Technical Monitoring Session Notes, Page 4 of 4.
For July 16, 2009 Meeting

This is the extent of the issues discussed at the technical monitoring session. If you have any questions or comments, please feel free to reach me or Mark A. Naylor, Director of the Gas & Water Division.

Sincerely,



Marcia A. B. Thunberg
Staff Attorney/Hearings Examiner

cc: Service List

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Docket #: 07-105 Printed: August 04, 2009

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