

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DW 07-105, DW 10-043, DW 10-141

LAKES REGION WATER COMPANY, INC.

**Investigation into Quality of Service, Affiliate Agreement with LRW Water Services, Inc.,
and Permanent Rate Proceeding**

Order *Nisi* Approving Recovery of Costs for Utility Manager

ORDER NO. 25,496

April 22, 2013

I. BACKGROUND

Lakes Region Water Company, Inc. (Lakes Region) is a regulated public utility that provides water service to approximately 1,615 customers in various communities in central New Hampshire. On July 13, 2012 the Commission issued its Order No. 25,391 (Order) in this docket approving, among other things, new permanent rates for Lakes Region. A full procedural history of this docket is contained in the Order. In the Order, the Commission, citing the difficult challenges facing the company's current President Thomas Mason, strongly recommended that Lakes Region hire a new full-time, permanent manager "to address financial, compliance, and planning matters." Order No. 25,391 at 24. The Commission provided that Lakes Region could seek a rate surcharge for recovery of salary and benefits for this manager, as well as recovery of its related recruiting costs.

The Commission established certain conditions for hiring the manager as follows: (1) the manager must be a resident of Lakes Region's service area (Belknap, Carroll, or Grafton Counties); (2) the manager must have documented experience in utility management/compliance,

business accounting, or financial restructuring; (3) the manager must be selected through an open hiring process with additional requirements for seeking candidates; and (4) the manager must report to the company's Board of Directors. The Commission also ordered that Lakes Region advertise the managerial position in Conway and Laconia area newspapers, together with a one-time mailing to Lakes Region customers, and publication of the advertisement in an employment opportunities website with New Hampshire-wide exposure. Order No. 25,391 at 25. The Commission provided that costs related to the manager and those for recruitment could be submitted to the Commission for approval within ten days of the hiring.

On March 5, 2013 Lakes Region filed a request for approval of its selected candidate as the manager. Lakes Region indicated that it had selected a candidate, following issuance of the advertisements specified by the Commission in Order No. 25,391, and sought approval of that hiring choice, notwithstanding that the candidate was not a resident of Lakes Region's service territory, but rather, a resident of Hillsborough County. Lakes Region stated that in spite of its efforts to find a qualified candidate, it was unable to successfully recruit one residing within the areas the company serves. Lakes Region also requested a Commission order that it submit a compliance tariff for a rate surcharge to recover salary and associated benefits. On March 19, 2013 Lakes Region filed a Schedule of Costs for the manager. Lakes Region seeks recovery of a total of \$62,474.88, consisting of \$59,546.08 in direct employee costs (salary, benefits, and taxes), and \$2,928.80 in recruitment costs. Lakes Region notes that the Office of the Consumer Advocate (OCA) objected to \$323.25 of its originally proposed recruitment costs that arose from

in-house labor costs. Lakes Region states that it concurs with this adjustment, and thus proposes to recover \$2,928.80 in total recruitment costs.

On April 9, 2013, Commission Advocate Staff, on behalf of itself, non-advocate Staff and the OCA, filed a letter recommending the Commission provide its approval of recovery of recruitment costs as well as the direct on-going costs of the new manager. Advocate Staff suggested that the hiring of the manager was largely consistent with the Order, and recommended adjustment to Lakes Region's permanent rates for the direct costs of the manager since those costs are permanent and on-going. Advocate Staff also recommended that the Commission provide its approval for recovery of the recruitment costs as filed, consistent with the Order, through a one-time surcharge of approximately \$1.81 per customer.

Advocate Staff indicated that it was the expectation of Advocate Staff, non-Advocate Staff, and the OCA that Lakes Region will rely less on outside contractors in the future and thus realize savings that can be passed back to customers in a future rate case. Hidden Valley Property Owners Association (Hidden Valley), an intervenor in this docket, takes no position on the instant requests, but also expresses hope that commensurate savings will be passed back to customers in the future.

Property Owners Association at Suissevale, Inc. (POASI), also an intervenor, takes no position on these requests. POASI states that while it hopes the hiring of a new manager will be good for the company, it still has significant concerns about financial management and planning at Lakes Region, as well as the overall higher costs with the hiring of a new manager in the absence of a specific plan to reduce the use of outside contractors.

II. COMMISSION ANALYSIS

We have reviewed the filings of Lakes Region as well as the recommendation of Advocate Staff, non-Advocate Staff and the OCA. We will approve, on a *nisi* basis, the request of Lakes Region for recovery of its manager's annual salary, benefit, and tax costs of \$59,546.08 through adjustment of its existing permanent rates. We approve recovery of the recruitment costs through a one-time surcharge of \$1.81 per customer, consistent with Order No. 25,391. The calculation of the rate impact of the manager will be definitively established after review of a compliance filing from the Lakes Region; however, it is estimated that the \$59,546.08 additional rate item will result in a rate increase of approximately \$35 to \$40 per customer per year.

While we had as our hope that a suitable manager candidate could be recruited from within Lakes Region's service areas, we note that the company appears to have made appropriate efforts to attract qualified candidates from within central New Hampshire. We will accept the company's assertions that it was not able to find a candidate it found acceptable, and that the person ultimately selected for the position is fully capable and qualified for fulfilling the role of utility manager. We share the hope and expectation of Staff and the parties that this hiring will henceforth begin a reduction in the reliance on outside contractors which has proven to be unwieldy and expensive.

Based upon the foregoing, it is hereby

ORDERED *NISI*, that Lakes Region Water Company, Inc. is authorized to recover an additional \$59,546.08 annually to cover the cost of a manager, and it is

FURTHER ORDERED, that Lakes Region is authorized to recover a total of \$2,928.80 in managerial recruitment costs through a one-time surcharge of \$1.81 per customer to customer bills; and it is

FURTHER ORDERED, that the Petitioner shall cause a summary of this Order *Nisi* to be published once in a statewide newspaper of general circulation or of circulation in those portions of the state where operations are conducted, such publication to be no later than May 1, 2013 and to be documented by affidavit filed with this office on or before May 17, 2013; and it is

FURTHER ORDERED, that all persons interested in responding to this Order *Nisi* be notified that they may submit their comments or file a written request for a hearing which states the reason and basis for a hearing no later than May 8, 2013 for the Commission's consideration; and it is

FURTHER ORDERED, that any party interested in responding to such comments or request for hearing shall do so no later than May 15, 2013; and it is

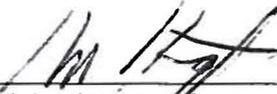
FURTHER ORDERED, that this Order *Nisi* shall be effective May 22, 2013 unless the Petitioner fails to satisfy the publication obligation set forth above or the Commission provides otherwise in a supplemental order issued prior to the effective date; and it is

FURTHER ORDERED, that the Petitioner shall file a compliance tariff, with documentation of the calculations of its proposed new rate, with the Commission on or before May 22, 2013, in accordance with N.H. Code Admin. Rules Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this twenty-second day
of April, 2013.



Amy D. Ignatius
Chairman

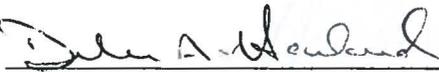


Michael D. Harrington
Commissioner



Robert R. Scott
Commissioner

Attested by:



Debra A. Howland
Executive Director