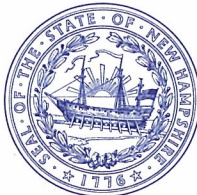


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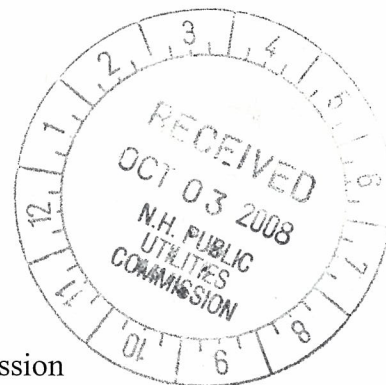
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October 3, 2008

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.
Report of September 23, 2008 Monitoring Technical Session



Dear Ms. Howland:

In accordance with Order No. 24,877, Staff and the parties held a technical session on Tuesday, September 23, 2008, to monitor progress on various issues as described below. Staff offers the following report of that meeting.

I. Hidden Valley

Completion of leak detection and new source have resulted in DES lifting the moratorium on new service connections. DES conditioned lifting the moratorium on Lakes Region notifying DES of when new customer accounts are opened. DES received status reports from Lewis Engineering (Aug. 16, 2008 and Sept. 22, 2008). Some September tasks are being pushed back to mid October and November. This is due to backordered pump controls and DES is aware of this. LRWC is evaluating two sources at the top of the system (Blue and Orange wells). LRWC is 50% complete on implementation schedule. LRWC is in engineering design, hydraulic design phase; no longer in source development. A future demand assessment will be required. LRWC estimates there may be up to 40 potential future connections, no more than that.

Lakes Region will ensure recent DES/Lakes Region communications are distributed to the parties in this docket.

The Hidden Valley homeowners association states supply seems to have been addressed but they inquired about LRWC improving the dependability of the delivery system through planned projects. LRWC stated it is still responding to system problems and is not yet in a position to plan projects ahead.

II. Paradise Shores

Tank is in and has been in service since July. Membrane coating on top won't get done until spring due to lack of contractors. This last item does not present a problem for the tank's

integrity. Landscaping (which acts as a frost barrier) still needs to be done and a nearby pump shed needs to be built. LRWC has evaluated pressure and will need to put in pressure reducing valves since service near the beach is at 100psi. Still using existing well field. Had temp permit to use Mt. Roberts well but don't use it now. Mt. Roberts well field is owned by Tom and Barbara Mason. LRWC is working with the town to resolve new well field development issues. LRWC is aware that DES needs meter records of use from the Mt. Roberts well. DES does not consider the tank technically complete because the grading still needs to be done. DES does not issue a certificate of completeness but LRWC will be contacting Rick Scarinka about whether membrane work needs to be done before DES will deem the tank "complete" since Suissevale's financial contribution is contingent on the tank being "complete."

Suissevale reports no water quality/quantity problems this summer.

DES discussed concerns about future Suissevale buildout and the fact that Suissevale is served by one 4" supply line. LRWC's storage tank helped the supply issue but this restriction needs to be addressed in the future by Suissevale.

DES will be moving an existing Letter of Deficiency (LOD) regarding well testing/source capacity to an Administrative Order (AO). LOD has been amended twice already and DES wants the evaluation done by next summer. Hydrosource had been preparing a plan but plan has not yet been received.

III. Tamworth

LRWC is conducting pump tests and is designing a filter system for the old well with high levels of uranium in the hopes the well can be used again. There is no LOD but LRWC is aware Tamworth only has one well and DES design standards require a backup. AG investigation is on hold until county process is concluded.

IV. White Mountain Resort

LRWC still needs to submit to DES a design for backup booster capacity. DES said they'd accept design by Oct. 10th -15th. Well cap and seal has been fixed and LRWC has a pump on sight but it hasn't had the time to hook it up yet. Work will be done by October deadline. LRWC will forward design to DES.

V. 175 Estates

LRWC has an iron-manganese system online but there is no design plan on file at DES. DES will issue an LOD to formalize LRWC responding to the needed plans.

VI. LOV

Regarding pressure complaints: LRWC has not found any evidence of pressure problems. Staff requests information on which houses were involved with the pressure complaints.

VII. West Point

Brown water complaint came into OCA. LRWC thinks well pumps were hit by lightning since it had to replace two pumps. The lightning stirred up the water and it was pretty dirty for a day.

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LRWC tried to blow off the system to minimize the dirty water and brought in a load or two of water. LRWC is not aware of past brown water issues.

VIII. Gunstock Interconnection

90% complete and has no complaints. Are on the list to receive grant funds, which will cover 25% of cost, from DES. Interconnection is in service but valve connecting two systems is not open. Still have a few things to do. Expect to open valve by end of the year.

IX. SRF Grant Funds

Use of DES SRF grant funds is limited, it can't be for refinancing. It has to be for items that are planned ahead. LRWC doesn't have projects that fit that category. Their projects require immediate action. It takes a year to get the money and this delay does not fit well with LRWC's projects.

X. Indian Mound

Had to relocate a 4 inch water main that ran down the middle of five lots. Line is now in a secure easement. Is seeking legal advice as to whether cost to move line is the responsibility of the developer.

XI. Metering at LOV, Deer Cove, Indian Mound, Tamworth

Meter installation bids, \$170,000 without meter pits. Most customers are seasonal and thus customer bills won't change much if LRWC adds a volumetric charge. The benefits of installing meters at this cost still needs further discussion. OCA has requested usage data from LRWC.

XII. Other

Corrosion control systems are all back on. One-Call-Now is not yet working; still need to work on getting software and data to integrate.

For planned outages, Lakes Region sends out emails to customers and homeowners associations. DES suggests supplementing with door knob notices. Lakes Region uses placards at the end of road.

LRWC has no construction budget yet.

Regarding personnel, Barbara Mason is going into retirement but is still part time but is on daily communication with bill payment (is still treasurer). Tom Sr. is still a paid employee. Phone still rings once in their house when the answering service is on. Tom Sr. is in daily contact with Tom Jr. to discuss systems.

LRWC will formalize Norm Roberge's work arrangement in a written contract soon.

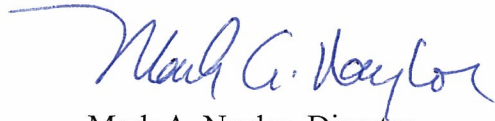
LRWC is aware it needs to file affiliate agreements.

LRWC is holding bi-weekly management meetings. July 15, August 6, August 14, August 26, September 10 are documented meetings. Other meetings happen spontaneously.

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This is the extent of the issues discussed at the technical session. If you have any questions or comments, please feel free to reach me at (603) 271-6019.

Sincerely,



Mark A. Naylor, Director
Gas & Water Division

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