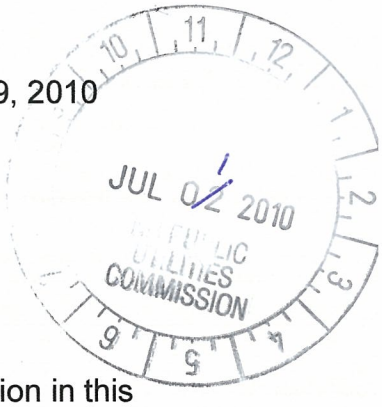
DW 08-070



Date: June 29, 2010

To: Ms. Debra Howland Executive Director & Secretary
N.H. Public Utilities Commission

From: David M. Smith President
Hidden Valley Property Owners Association

Re: DW 08-070 –Third Step Adjustment to Rates

On Thursday June 17, 2010 I received a copy of the related information in this Docket addressed to you from the office of Stephen P. Cyr & Assoc. and dated a month prior to the day – that is May 17, 2010. The hand written "sticky note" attached to the copy I received read

" David: You were not on the service list that I have for DW 08-070 I apologize for the delay."

Steve

I begin by conveying that fact to you for two reasons –first and foremost to let you know that with the associated concerns generated by the information contained w/in you would have heard from me before this if I had received it in a timely manner –and secondly to let you know that with the history of my/our association w/ LRWC I couldn't help but be suspect about the statement that I had not received it as I was not on the list. I have since confirmed that I was indeed on the list as I have been for, as far as I know, all associated correspondence of your Commission and LRWC.

As you may know, I am a seasonal resident of Hidden Valley, and when I have been in New Hampshire I have attended the quarterly meetings (related to Docket 07-105) centered on LRWC concerns. I have been driven to do so due to innumerable historic concerns re: the performance and practices of the company and also with the realization that only if the related State agencies remain fully aware, fully engaged and fully true to their own stated requirements for a PUC / DES approved Water System will the people I represent [as well as those in their numerous other systems] receive sufficient, safe and dependable supply ----and now at just rates.

Further as you know before leaving for the winter I advocated for the continuance of the meetings for in my judgment it has only been with the directed over site of the various offices of your commission that finally sufficient and seemingly appropriate actions were taken. This summer season will provide what will hopefully be a confirmation of that fact.

I must say again it would not, it did not happen without you. It took the AO and direct over site. My hope is but I have remaining doubts that the foundation that has been put into place will be able to meet our [yours & ours} rightful expectation w/out your continued directed over site/ management.

Now turning to the application for the Third Step Adjustment to Rates. I will seek further clarification on a number of the points w/in the recently received information but I write to you now as I am not sure how far down the line this process has traveled [particularly of the past month] and I want to be on record with you as having concerns with one in particular that I find to be criminal by association – if my suspicions prove to be correct.

First I note that on the cover page the second paragraph states: 'Please note that the Company did not provide Attachments A (pertaining to Step 1), B (pertaining to Step2) & D (pertaining to the combined revenue require for Steps 1,2, & 3).

I ask why not? Is this yet another example of LRWC not providing what is asked for and if so is it a continuing example of substandard management or the continuing disregard for the requests of the State? Or might it be that they don't want the reminder that through Steps 1& 2 they have already received a 15.6% adjustment –while herein they have put forth their case for an additional 4.88% ---And then I understand that the company has filed notice that they are going to be filing for a rate increase on top of all this?!

By keeping all this separated in time and space I assume the hope is the consumer will be less likely to raise a stink. I do recall on this point and undoubtedly due to this point –that the Office of the Consumer Advocate petitioned / recommended that the Step increases and any rate increase request be received as one request –thereby being best positioned with all the true facts to set an approved justifiable rate. As a representative of a consumer group I certainly favored this course of action. However, presumably because the company was in immediate difficult financial straights that recommendation was not followed.

Now, a year and a half after approval of the 15.6% increase – comes the Company's Step Three petition. It is my understanding that the Company has also notified the Commission that it plans to file a rate increase request. Does it not make sense at this time to combine those procedures/ considerations?

Before continuing--- Let me say I believe it to be imperative in the quest for what is just and right in these considerations that the Company's consumers who will be to be effected should receive notice of these proceedings as well as the case materials involved in this decision making process.

I will also seek clarification in order that I will be in a position to deal with questions raised. A number of these questions come to mind when I review page 1 of 5 on Attachment C.

Questions related to:

• How are listed expenses verified?
• Depreciation: Booked but not funded? And if and when addressed through Steps does that money then become available and restricted and documented relative to plant renewal and replacement?
• Operating Expense: Are we to understand from this that the improvements instituted lead to more increased cost than saving?
• Taxes: They appear to be calculated here as a point of cost? Is the process then designed to determine after tax profit? Are the taxes increasing as a result from investments in infrastructure verified?

Setting those particulars aside for the moment Here comes my central –infuriating –concern if this suspicion proves to be a valid.

I preface by reminding all of an exchange I initiated at the quarterly Commission meetings last summer and again in early fall – that being the question of How Mr. Mason Sr, would pay the $100,000 fine [another $100,000 suspended] issued by the Court in the Tamworth matter and received the assurance not once but twice that the consumer would in no way be impacted.

Now on page 1 of 1 on Attachment E entitled DW 08-070, Lakes Region Water Company, Inc. Rate of Return is noted

Additional Paid-in Capital $724,430 at 9.75%

If in fact Tom Mason Sr. who was convicted of the criminal act that led to the fine is the source of this funding for which he expects a rate of return of 9.75 % --then this is what I would consider to be criminal by association. As this rate of return would be extracted from the consumer Tom Mason Sr.'s return from the consumer would go a long way toward his recovery of the fine and would contradict the pledge received at the Commission's meetings.

It would be unjust and therefore must be unacceptable.

It is also my understanding that lower interest loans were available at the time and that Tom Jr. has just received approval for funding at a much lower level. Might some of that funding be brought into play to eliminate this proposed injustice?

Ms Howland, I do not know how to proceed. I will look to you and others to guide me in this my responsibility.

Sincerely,

David M. Smith