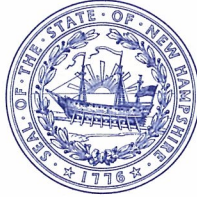


THE STATE OF NEW HAMPSHIRE

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COMMISSIONERS  
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EXECUTIVE DIRECTOR  
AND SECRETARY  
Debra A. Howland



PUBLIC UTILITIES COMMISSION

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1-800-735-2964

Website:  
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October 17, 2008

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

Re: DW 08-088 Hampstead Area Water Company, Inc.  
Transmittal of Dept. of Environmental Services Letter



Dear Ms. Howland:

On August 7, 2008, the Office of the Consumer Advocate (OCA) filed a motion to consolidate Docket Nos. DW 08-065, Hampstead Area Water Company, Inc.'s (HAWC) rate case, and DW 08-088, HAWC's financing case. On August 18, 2008, HAWC filed an objection. At the prehearing held on September 3, 2008, the Commission requested additional information, in particular information from the Department of Environmental Services (DES) be supplied by the parties before it would rule on OCA's motion.

On October 17, 2008, Staff received a letter from the DES which addresses the issue in dispute: whether the DES requires an indication from the Commission that HAWC can increase its revenues before it will issue funds from the Drinking Water State Revolving Loan Fund. That letter is attached for the Commission's review. The paragraph that appears to speak most directly to the issue is paragraph three:

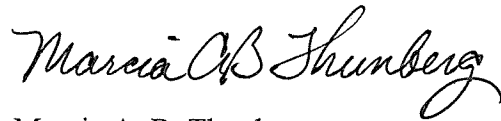
"In 2005, DES entered into a DWSRF loan with HAWC. The positive recommendation from the BFA regarding this loan was based upon HAWC's approval from the PUC to increase its rates to cover the cost of this project. In addition, DES required a guarantee from the owner of the Company. It is assumed that the same condition will apply to the current application."

Staff interprets the DES letter to state that a level of commitment to future rate increases, as exemplified in *Hampstead Area Water Company*, 89 NH PUC 592 (2004) (Order No. 24,386), is going to be necessary for the instant financing in Docket No. 08-088. This information may change the OCA's and HAWC's respective motion and objection and thus Staff recommends the Commission defer ruling on OCA's motion until OCA and HAWC have an opportunity to respond to the Commission with respect to DES's letter.

DW 08-088  
Staff Letter to Howland  
October 17, 2008

Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink, reading "Marcia A. B. Thunberg". The signature is written in a cursive style with a large, stylized initial "M".

Marcia A. B. Thunberg  
Staff Attorney/Hearings Examiner

Attachment  
cc: Service List



The State of New Hampshire  
**DEPARTMENT OF ENVIRONMENTAL SERVICES**



**Thomas S. Burack, Commissioner**

October 16, 2008

Marcia Thunberg  
Public Utilities Commission  
21 S. Fruit Street Suite 10  
Concord NH 03301-2429

Subject: Docket No. DW 08-088 Hampstead Area Water Company, Inc.  
Petition for Authority to Borrow Long-Term Debt from the DWSRF

Dear Ms. Thunberg:

The purpose of this letter is to respond to your request relating to an application by Hampstead Area Water Company, Inc. (HAWC) to borrow funds from the Drinking Water State Revolving Loan Fund (DWSRF) administered by the NH Department of Environmental Services (DES). Specifically, you have inquired as to the level of approvals from the Public Utilities Commission (PUC) needed to be in place for DES to enter into a loan agreement with HAWC.

DES and the NH Business Finance Authority (BFA) have entered into a Memorandum of Agreement (MOA) which describes the duties and responsibilities for each party as it relates to the DWSRF program. One of the duties of the BFA is to review loan applications from privately-owned public water systems and make a financial recommendation to DES regarding the advisability of granting a loan. As a guide to the BFA, the MOA includes a loan policy where each borrower must demonstrate, based upon either historical cash flow or from dedicated revenue, that it can service the proposed debt and maintain a debt service ratio of at least 1:1 for PUC regulated water systems. Please note that in addition to the debt service ratio the BFA takes into account the applicant's assets and revenue stream. Each applicant is evaluated on its own financial condition.

In 2005, DES entered into a DWSRF loan with HAWC. The positive recommendation from the BFA regarding this loan was based upon HAWC's approval from the PUC to increase its rates to cover the cost of this project. In addition, DES required a guarantee from the owner of the Company. It is assumed that the same conditions will apply to the current application.

Typically, DES does not submit an application to the BFA for review until the applicant has provided the authority to borrow funds and the application is complete. Once the financial review is complete and a positive recommendation is issued, DES submits the loan documents to Governor and Executive Council for authority to enter into the loan agreement. Since HAWC has not provided the authority to borrow funds from the PUC,

DES Web site: [www.des.nh.gov](http://www.des.nh.gov)

P.O. Box 95, 29 Hazen Drive, Concord, New Hampshire 03302-0095

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Marcia Thunberg  
Public Utilities Commission  
October 16, 2008

2

the current application has not been submitted to the BFA for review, and therefore, BFA has not provided a financial recommendation regarding the current HAWC application.

Should you have any questions or comments please contact me at 271-2948.

Sincerely,



Richard Skarinka  
Drinking Water and Groundwater Bureau

Cc: Hampstead Area Water Company, Inc.  
Office of Consumer Advocate

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STEPHEN P ST CYR  
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BIDDEFORD ME 04005

Docket #: 08-088      Printed: October 17, 2008

**FILING INSTRUCTIONS:    PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),**  
**WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:**

DEBRA A HOWLAND  
EXEC DIRECTOR & SECRETARY  
NHPUC  
21 SOUTH FRUIT STREET, SUITE 10  
CONCORD NH 03301-2429

PURSUANT TO N.H. ADMIN RULE 203.09 (d), FILE DISCOVERY

DIRECTLY WITH THE FOLLOWING STAFF

RATHER THAN WITH THE EXECUTIVE DIRECTOR

LIBRARIAN  
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21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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