January 18, 2021

Ms. Debra Howland
Executive Director & Secretary
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

Subject: The Hampstead Area Water Company, Inc. - DW 20-117 Petition to Approve Approval of Permanent Rates and Proposed Tariff Revisions.

Dear Ms. Howland,

I'm writing this comment letter to you as a concerned citizen of Hampstead with respect to the above subject request, pursuant to the procedures established by the State to voice such commentary.

To characterize the requested increase as substantial would be an understatement by any reasonable measure.

The process that you are involved in, rightfully, affords the petitioner a degree of privacy and confidentiality in certain areas through the application of a protective order. While that information cannot be made public, nevertheless the parties directly involved, have access to that information to be used in the decision making process. I request that you consider the following in your analysis of that confidential information.

The Hampstead Area Water Company (HAWC) acts as a semi-private quasi-utility sanctioned by the State to provide water services to its customers, effectively as a monopoly. It is unlike a traditional utility as it is privately held and closely aligned with a related private real estate development entity.

The Commission should weigh the degree to which decisions made by the management of these collective private entities resulted in shifting financial cost and risks onto the HAWC's ratepayers. Actions such as this would indirectly subsidize these private entities principals, insulating them from financial risk that appears now to be requested from the citizens of Atkinson and Hampstead.

In our free enterprise system, those who assume risk reap the rewards of their actions. Conversely should things go badly those that assumed the risk are the ones that must pay the price. The ratepayers from the HAWC do not share in the profits from the related real estate entity, likewise that entity should not be able to share its risk directly or indirectly with the ratepayers.

Circumstances such as the following could be the result of management decisions that should not be rewarded with the large increases being petitioned:

- Lower volumes (water sales) as a result in delays in real estate projects being added to the base of customers.
- Lower volumes (water sales) as a result of State mandated pumping reductions due to the issues (raised in Hampstead) where there were problems with private wells running dry, due to HAWC wellhead pumping.
- Inadequate planning on the part of HAWC. This could include overly optimistic projections of sales, lack of business interruption insurance (to offset mandated reductions), poor investment decisions, poor debt/financial management and inconsistency in maintenance and repair over time. Reacting slowly as conditions change.

An examination of the HAWC's balance sheet and income statement as seen at their submitted Tab 15 indicates some interesting trends.

The table below illustrates the changes on the HAWC balance sheet that are indicative of management decisions to finance significant portions of capital investments through rate increases versus assuming additional long-term debt.

($ in Thousands)	2019	2018	Change
Construction Work in Progress	$1,979	$189	$1,790
% Increase			947%
Long Term Liabilities	$4,572	$3,715	$857
% Increase			23%
Funding Gap from WIP-LTL			$933
Revenue from Rate Increases			($485)

From 2018 to 2019 investments in Construction Work in Progress (WIP) infrastructure (for whatever purpose) increased by approximately $1.8 million dollars or about 950%. Over the same period long-term liabilities (LTL)(essentially debt) increased by approximately half that value of about $900 thousand dollars or about 20 to 25%.

This poses a question as to why long-term liabilities did not increase by a commensurate $1.8M, but only half that value?

In my opinion, it indicates management's decision to pass on a significant portion of these capital improvements to existing customers and ratepayers in the short term.

Based upon the financial data provided by the HAWC in its petition a $1.8M investment in Construction Work in Process is substantial given total assets for the entity stood at $12Million at the end of 2018. That is a 15% increase in assets.

It appears that the HAWC's management of its Balance sheet (and public relations based upon public sentiment to this petition) is anything but exemplary. The financing of these capital improvements was not sufficiently considered and the public was not properly informed or prepared for such an exorbitant increase in rates to finance these improvements.

Given the current extremely low interest rate environment it is unclear why management did not secure additional finance to pay for these improvements over time when the benefits of those costs will be shared by the customers as they are being used or consumed.

To be fair, the Company is only requesting $485 of additional revenue from customers or approximately half of the gap between the differences between growth in WIP and LTL. Irrespective of that, if their total assets are only going up by 15%, to me it is unjustifiable, irrespective of what the paid consultants have testified, to seek a +60% increase from their customers.

Sincerely,
Mr. John G. Panetta Sr.
Hampstead, NH