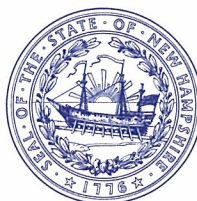


THE STATE OF NEW HAMPSHIRE

CONSUMER ADVOCATE  
Meredith A. Hatfield

ASSISTANT CONSUMER ADVOCATE  
Kenneth E. Traum



TDD Access: Relay NH  
1-800-735-2964

Tel. (603) 271-1172

FAX No. 271-1177

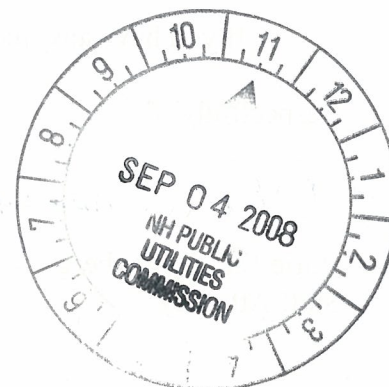
Website:  
[www.oca.nh.gov](http://www.oca.nh.gov)

OFFICE OF THE CONSUMER ADVOCATE

21 S. FRUIT ST., SUITE 18  
CONCORD, NEW HAMPSHIRE 03301-2429

September 4, 2008

Ms. Debra A. Howland  
Executive Director & Secretary  
New Hampshire Public Utilities Commission  
21 S. Fruit Street, Suite 10  
Concord, New Hampshire 03301-7319



**RE: DW 08-065 Hampstead Area Water Company, Inc. –Petition for Permanent Rate Increase**

**DW 08-088 Hampstead Area Water Company, Inc. - Petition for Authority to Borrow Long term Debt, to Construct Water System Interconnection, Approval to Extend Franchise Area and for Step Rate Increase**

Dear Ms. Howland:

Yesterday, the Commission held the prehearing conferences in the above-referenced dockets. During the prehearing conference in DW 08-065, the Commission heard argument on the OCA's motion to consolidate the rate issues in the two cases. Among other issues, the parties disputed whether DES requires Commission approval of the proposed step increase (in DW 08-088) in order to approve and proceed with HAWC's application for funding through the State Revolving Loan Fund. The OCA maintained that DES did not. The Company maintained that DES did.

During the prehearing conference in DW 08-088, the Commission asked the parties to seek information from Richard Skarinka, at the Department of Environmental Services, who is working with HAWC on its SRF application. Specifically, the Commission requested that Mr. Skarinka notify the Commission in writing as to whether approval of the proposed step increase was required before DES would approve and proceed with Hawk's SRF loan. Following the prehearing conference, the parties agreed that the OCA would convey the Commission's request to Mr. Skarinka. The OCA agreed to do so via email, copying all of the parties, and also agreed to circulate its email before sending it to Mr. Skarinka.

SEP04/08 11:09 AM NHFUC

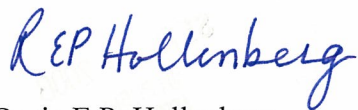


Immediately following the technical session in DW 08-088, the OCA circulated a proposed email to Mr. Skarinka. In the next four hours, the OCA received and responded to proposed revisions.

At this time, it appears that the parties can not agree on what should be communicated to Mr. Skarinka. Consequently, I submit the proposal of the OCA, as well as the proposal of Staff and the Company, and ask that the Commission decide how its request should be conveyed.

If you have any questions, please do not hesitate to contact me. Thank you.

Respectfully,



Rorie E.P. Hollenberg  
Staff Attorney

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OCA Proposal

Mr. Richard Skarinka  
Department of Environmental Services  
29 Hazen Drive  
P.O. Box 95  
Concord, NH 03302-0095

Dear Mr. Skarinka,

Yesterday, the NH Public Utilities (PUC) held the prehearing conferences in the two pending Hampstead Area Water Co. (HAWC) cases, DW 08-065 (general rate case) and DW 08-088 (SRF financing, franchise expansion and step increase). At the first prehearing conference, the PUC heard arguments on the Office of Consumer Advocate's (OCA) motion to consolidate and consider the step increase request (in DW 08-088) with the pending general rate case (DW 08-065).

In its motion and at the hearing, the OCA took the position, based in part upon its telephone call with you, Staff and the Company (on August 4, 2008), that in order to approve and proceed with the SRF loan DES requires only Commission approval of the financing (and not approval of the step increase). The Company took the position that DES requires Commission approval of both the financing terms and the step increase.

After hearing from the parties, the Commission requested factual information in writing (e.g., a letter) from DES regarding what Commission approvals DES requires before it can approve and proceed with the SRF loan for the HAWC interconnection project. Specifically, the Commission needs to know whether DES requires Commission approval of the step increase proposed by the Company in DW 08-088 before it can approve and proceed with HAWC's SRF loan application.

Please provide your response directly to the Commission through Debra A. Howland, Executive Director and Secretary, 21 South Fruit St., Suite 10, Concord NH 03301. Please provide a copy of your response to the Office of Consumer Advocate, 21 South Fruit St., Suite 18, Concord NH 03301, and HAWC.

Company and Staff Proposal

Rick,

On September 3, 2008, the NH Public Utilities (PUC) held the prehearing conferences in the two pending Hampstead Area Water Co. (HAWC) cases, DW 08-065 (general rate case) and DW 08-088 (SRF financing, franchise expansion and step increase).

The commissioners want to know if DES requires that the step increase be approved with the financing.

Please check a box below:

1.     Yes
2.     No
3.     No, but we prefer that the step increase mechanism is approved at the same time