

STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

RE: HAMPSTEAD AREA WATER COMPANY, INC.

DW-08-088

**PETITION FOR AUTHORITY TO BORROW LONG TERM DEBT,
TO CONSTRUCT WATER SYSTEM INTERCONNECTION,
APPROVAL TO EXTEND FRANCHISE AREA, AND FOR STEP RATE
INCREASE**

DW-08-065

**PETITION FOR PERMANENT RATES
(PERMANENT RATE PROCEEDING)**

**HAMPSTEAD AREA WATER COMPANY, INC.'S OBJECTION TO THE
OFFICE OF CONSUMER ADVOCATE'S MOTION TO CONSOLIDATE**

Hampstead Area Water Company (HAWC) hereby objects to the Office of Consumer Advocate's (OCA) Motion to Consolidate Company's Request for a Step Increase in DW 08-088 and Permanent Rates in DW 08-065 as follows:

1. The SRF Financing, as administered by the Department of Environmental Services (DES), is single purpose financing made available to entities such as HAWC at interest rates that are not available to the Company in the private sector lending. The established precedent before the Commission for approval of the SRF financing has been to approve the financing along with the mechanism for a step increase. This protects the SRF program for DES. This protects the Company by assuring that the Company has the cash flow to service the debt. This protects the customers by assuring that the needed improvements are made at the lowest possible costs. This is the established precedent because of the special place and purpose of the SRF Financing.
2. As the name implies, the SRF fund is a revolving fund, whose availability ebbs and flows depending on a hierarchical award system, resulting in funding awards done upon relatively short notice. Without SRF funding, companies such as HAWC would be unable to obtain capitalization funding. While certain companies, cited by the OCA, such as Pennichuck, do avail themselves of SRF funding, and sometimes do so without the need for step increases, such companies are in far different financial position than HAWC. HAWC needs specific and timely funding via a step increase to maintain the cash flow necessary to repay the SRF loan.
3. Contrary to the allegations by the OCA, there are substantial reasons to maintain separateness of the two proceedings.

4. Procedurally, if the two dockets are consolidated in any way, any intervention by a third party, especially if there is an appeal, will cause a substantial delay in the General Rate Case, docket DW-08-065 and in the Interconnection Case, docket DW-08-088.
5. There is no practical reason to link the two dockets, as the concerns of the OCA regarding proper rate making will be addressed and completed in the General Rate Case by the time it is appropriate for the Commission to implement the step increase in the Interconnection Case.
6. The construction for the Hampstead-Atkinson Interconnection will not be completed until after the General Rate Case is finished. It is only after construction is completed that the construction costs will be known with certainty and a step increase finalized.
7. Contrary to OCA's assertion, there will not be "duplicate investigations." The two proceedings have discrete and determinable issues independent of each other, particularly in the policies, protocols, subject matter and the timelines involved. The Company also contends that all factors related to proposed Interconnection can and will be thoroughly reviewed in the financing and step increase proceeding, thereby protecting the consumer's interest.
8. While the OCA cites one company (Pennichuck) that sought PUC approval of SRF financing without approving a rate increase, the Company is aware of more occasions where the PUC has approved financings, including SRF financings, for HAWC and other small water companies, in which a step increase was approved along with the financing.
9. There are significant reasons not to consolidate the two proceeding. If the two proceedings are consolidated, a delay in the construction or in the docket itself by third party intervention could delay the general rate increase or an issue in the general rate case could delay approval of the step increase. Either way, such a delay would create serious cash flow problems for the Company, either in the repayment of the SRF loan or generally in operations.
10. The Company has already provided notice to its customers and the general public in both dockets. In the Interconnection docket DW-08-088, in order to put together a clear and concise statement of the Order of Notice to all known and prospective customers, it cost \$1,250.00 in postage, not to mention advertising costs in the Manchester Union Leader, photocopying costs and administrative costs to mail the statement and Order of Notice. These are significant costs to a company of HAWC's size. To re-notice would cause confusion to the customers and Towns officials. This would be a unnecessary duplicate effort and cause the Company to incur unnecessary costs that would ultimately be to the detriment of our customers.
11. The Company has filed two separate cases for deliberate and well thought out reasons known both to the Company and to Staff. It should be allowed to pursue both cases independent of each other. All factors of both of the dockets will be considered thoroughly and in good stead. There will be no duplicate

investigations by the PUC Staff or any other party. By consolidating, a delay in either construction of the Interconnection or an issue in the General Rate Case could have significant negative consequences on the Company.

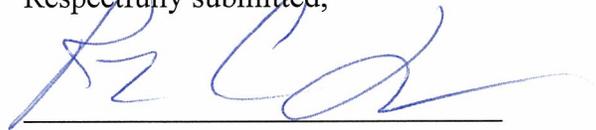
12. There would be significant duplicate effort and costs associated with re-noticing customers. There is a real and present potential for delay in the SRF Financing docket DW 08-088, which in turn would cause a delay in the General Rate Case, docket DW-08-065. To carve out the request for a step increase from the SRF Financing docket and place it into the General Rate docket is an exercise of form over function. Consolidation does nothing to promote the public good or protect the public interest.

WHEREFORE, the Company respectfully requests that:

- A. The Commission deny the OCA's motion to consolidate Company's requests for a step increase in DW 08-088 and permanent rates in DW 08-065
- B. The Commission grant such other relief as may be appropriate.

Dated: 8-15-08

Respectfully submitted,

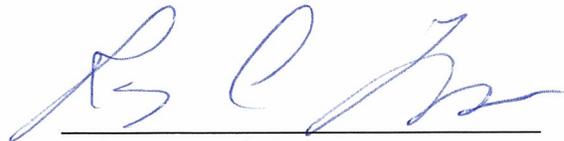


Robert C. Levine, Esq.
General Counsel
Hampstead Area Water Company,
Inc.
54 Sawyer Avenue
Atkinson, NH 03811
603-362-5333

CERTIFICATION

I hereby certify that a copy of this Objection was mailed this day, postage prepaid to Meredith A. Hatfield, Esq., Office of Consumer Advocate, Marcia Thunberg, Esq., PUC Staff and the Service List.

Dated: 8-15-08



Robert C. Levine, Esq.