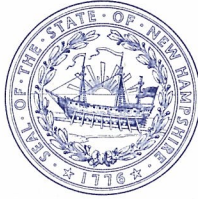


THE STATE OF NEW HAMPSHIRE

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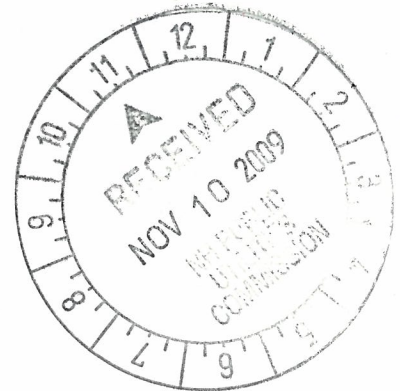
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November 10, 2009

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 S. Fruit St., Suite 10  
Concord, New Hampshire 03301



Re: DW 09-193, Aquarion Water Company of New Hampshire, Inc.  
Petition for Approval to Issue Promissory Note

Dear Ms. Howland:

On October 9, 2009, Aquarion Water Company of New Hampshire, Inc. (Aquarion) filed a petition for approval to issue a promissory note in an amount up to \$4,000,000. Aquarion's petition was accompanied by the testimony of Donald J. Smiarowski, Manager of Treasury and Risk at Aquarion Water Company of Connecticut, an affiliate of Aquarion. Mr. Smiarowski's testimony indicates that he is responsible for treasury matters for all three of Aquarion Water Company's regulated water utility subsidiaries.

Pursuant to Commission Order No. 24,959, issued April 22, 2009 in docket DW 09-045, Aquarion was granted a waiver of the short term debt limit delineated in N.H. Code Admin. Rules Puc 608.05. Aquarion was permitted to carry short term debt in an amount up to 20% of its net fixed plant until March 31, 2010. In that docket Aquarion had indicated that it exceeded the 10% short term debt limit due to its ongoing capital improvements program, in particular the construction of a new water storage facility. In order to be able to comply with the Commission's rules and reduce its short term debt, Aquarion has sought long term financing and seeks approval for a \$4,000,000 issuance in the instant petition. Aquarion has an arrangement in place with Aquarion Company, Inc., an affiliate, to borrow the \$4,000,000 for a five year term on an unsecured basis at a fixed rate of interest of 4.62%. The proceeds of this loan would be entirely used to reduce Aquarion's level of short term debt. On a proforma basis as of June 30, 2009, Aquarion's short term debt would be reduced to about 1.18% of net fixed plant, bringing the company into line with the requirements of the Commission's administrative rules.

The proposed loan from Aquarion Company, Inc. is a five year term note, issued on an unsecured basis, and will not amortize. Interest will be payable semi-annually in arrears. Aquarion solicited financing proposals from both CoBank and Bank of America, but neither lender was willing to commit to extending loans on an unsecured basis for longer than five years. As explained in Mr. Smiarowski's testimony, under a credit facility entered into between Aquarion Holdings, Inc. and Dresdner Bank, the company is subject to a covenant that prohibits it from granting a security interest in its assets. Thus, until the credit facility matures in early 2012, a grant of a security interest in assets would jeopardize the availability of these short term funds.

Staff has reviewed Aquarion's petition and recommends approval of the company's request. The company's responses to Staff data requests are attached to this letter. The five year term note at an interest rate of 4.62% is very favorable in light of Aquarion's need to reduce the level of its short term debt. Issuance costs are negligible given that this transaction is entered into with an affiliate. Because of the low interest rate and minimal issuance costs, Staff believes that the overall impact of this financing on customers will be minimal in any future rate case.

If there are any questions regarding this, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Naylor". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

Mark A. Naylor  
Director, Gas & Water Division

Attachments  
cc: Service List

AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 09-193

Aquarion Water Company's Responses to Staff Data Requests—Set 1

Data Request Received: October 29, 2009

Date of Response: November 5, 2009

Request No.: Staff 1-1

Witness: D. Smiarowski

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REQUEST: What considerations did the Company give when selecting a five year maturity for this note?

RESPONSE: The Company solicited financing proposals from CoBank and Bank of America. The Company requested a ten or twenty year term, but both institutions were unwilling to go beyond five years for an unsecured financing due to current economic conditions.

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AQUARION WATER COMPANY OF NEW HAMPSHIRE

DW 09-193

Aquarion Water Company's Responses to Staff Data Requests—Set 1

Data Request Received: October 29, 2009  
Request No.: Staff 1-2

Date of Response: November 5, 2009  
Witness: D. Smiarowski

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REQUEST: Re: Smiarowski testimony p. 5 lines 3-5. Will the existence of the covenant in the Dresdner credit facility prohibiting the granting of a security interest in assets limit the Company's options with respect to long term financing in the future? Please explain.

RESPONSE: The credit facility matures on April 30, 2012, and therefore the restriction is expected to remain in place through that date.

STEVEN V CAMERINO  
MCLANE LAW FIRM  
11 SOUTH MAIN ST STE 500  
CONCORD NH 03301

Docket #: 09-193      Printed: November 10, 2009

**FILING INSTRUCTIONS:    PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),**  
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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**

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**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.

MARK NAYLOR  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

MARCIA THUNBERG  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429

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CONSUMER AFFAIRS DIRECTOR  
NHPUC  
21 SOUTH FRUIT ST, SUITE 10  
CONCORD NH 03301-2429