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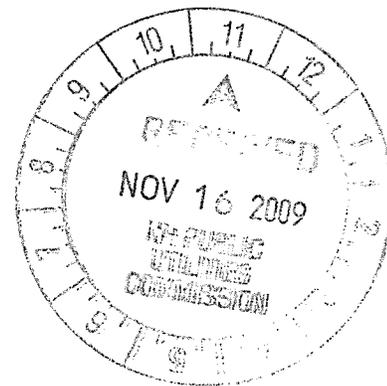
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November 13, 2009

Debra A. Howland
Executive Secretary and Director
New Hampshire Public Utilities Commission
21 South Fruit St., Suite 10
Concord, NH 03301



**Re: DW 09-193 Aquarion Water Company, Inc.
Petition for Authority to Issue Promissory Note**

Dear Ms. Howland:

On October 9, 2009, Aquarion Water Company, Inc. (Aquarion) filed a Petition for Authority to Issue Promissory Note, along with the testimony of Donald J. Smiarowski. Therein, Aquarion requests authority to borrow “up to” \$4 million in long-term debt. The Company states the reason for the request is to refinance a portion of Aquarion’s existing short-term indebtedness. On November 10, Mark A. Naylor, Director of the Commission’s Gas and Water Division, filed a recommendation with the Commission for approval of Aquarion’s request. I write on behalf of the Office of Consumer Advocate (OCA) in part to recommend that the Commission obtain further information about the proposed uses of the short-term financing which Aquarion proposes to replace with long-term debt.

RSA 369:1 requires that long-term debt be “consistent with the public good.” It is settled law and Commission practice that “[a]nalysis of the public good consideration involves looking beyond actual terms of the proposed financing to the use of the proceeds of those funds and the effect on rates to insure the public good is protected.” Pennichuck East Utilities, Inc., Order No. 25,041, November 9, 2009, slip op. at 3-4, *citing Appeal of Easton*, 125 N.H. 205 (1984). Taken together, Aquarion’s filing and Staff’s recommendation provide specific information about the use of only part of the total \$4 million sought to be refinanced.

Specifically, Aquarion’s filing includes statements as to the uses of the short term debt, but these statements are general and somewhat qualified in nature. *See* Petition at p. 2, paragraph 5 and Testimony of Smiarowski at p. 2, line 35 through p. 3, line 3 (“the existing short-term borrowing that is being refinanced were used primarily to fund capital improvements to the Company’s system”). Aquarion’s filing mentions only one capital project, the Mill Road Standpipe, which costs about \$1.5 million. *See* Aquarion Water Company, Inc., Order No.

25,019, dated September 25, 2009, slip op. at 6 (step increase is to recover the costs associated with the \$1,549,874 addition to rate base as a result of Aquarion's Mill Road tank project).

Also, Staff's recommendation provides no additional information about the specific uses of the short-term debt that the Company proposes to refinance. Consequently, the Commission lacks sufficient information about the uses related to the remaining \$2.5 million of possible long-term debt. Therefore, the OCA urges the Commission to require Aquarion to provide this information before the Commission rules on the petition.

In addition, the OCA recommends that the Commission require Aquarion to provide its customers with notice of the pending request for approval of long-term debt, and that, following such notice, the Commission provide Aquarion's customers with the opportunity to be heard on the pending request.

Please contact me with any questions. Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script that reads "REP Hollenberg". The signature is written in black ink and is positioned below the word "Sincerely,".

Rorie E.P. Hollenberg
Staff Attorney

cc: Service List