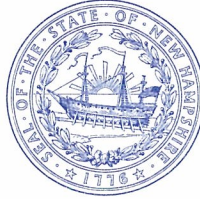


THE STATE OF NEW HAMPSHIRE

CHAIRMAN
Amy L. Ignatius

COMMISSIONERS
Michael D. Harrington
Robert R. Scott

EXECUTIVE DIRECTOR
Debra A. Howland



PUBLIC UTILITIES COMMISSION
21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

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

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Website:
www.puc.nh.gov

NHPUC JUN11'13 PM12:46

June 11, 2013

Ms. Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301

Re: DW 11-226 Hampstead Area Water Company, Inc.
Petition to Amend Order for Authority to Borrow Long Term Debt for
Water Service Line Replacements

Dear Ms. Howland:

On October 6, 2011, Hampstead Area Water Company, Inc. (HAWC) filed a petition, pursuant to RSA 369, seeking authority to borrow up to \$180,000 in long term debt. HAWC is a regulated water utility pursuant to RSA 362:2 and 362:4 and serves approximately 3,120 customers in various communities in southern New Hampshire. HAWC proposed to borrow from the State Revolving Loan Fund (SRF), administered by the New Hampshire Department of Environmental Services (NHDES), to finance the replacement of water service lines. HAWC's request was approved by the Commission by way of Order No. 25,299 issued December 8, 2011.

Recently, NHDES Staff approached the company and advised that additional funds totaling \$75,000 are available through the SRF program to finance more service line replacements. This work will be undertaken during the summer of 2013. On April 18, 2013, in the final hearing in HAWC's recent rate case, Docket No. DW 12-170, HAWC and Commission Staff (Staff) presented a settlement agreement (the agreement) which includes a provision for eventual recovery of these capital improvements¹. Under the agreement, HAWC would be permitted to seek a step adjustment for recovery of the additional service line replacements undertaken during 2013. HAWC may file a petition for this step adjustment on or after November 1, 2013. Therefore, HAWC filed a petition and the testimony of Stephen P. St. Cyr, its financial consultant, on May 17, 2013,

¹ On June 7, 2013, the Commission approved the agreement in its Order No. 25,519.

DW 11-226: Hampstead Area Water Company, Inc.
Petition to Amend Order for Authority to Borrow Long Term Debt
June 11, 2013

requesting an amendment to Order No. 25,299 for further authority to borrow from the SRF program to finance these service line replacements. Staff has reviewed the filing and recommends approval.

As detailed in the Staff recommendation letter originally filed December 1, 2011 in this docket, HAWC's service line replacement program is intended to address water loss issues the company has experienced, particularly in its Walnut Ridge and Hampstead Area water systems. The service lines which HAWC is now seeking to replace are located within its Atkinson and Hampstead core systems. This new \$75,000 in financing will permit the company to replace an additional 50 to 60 services lines and the associated shut off valves. HAWC indicates that since beginning its service line replacement efforts in June of 2012, it has been able to reduce overall water loss in the Atkinson-Hampstead core system from 25% to about 18% at present.

The anticipated terms of the loan will be similar to other SRF financings that have been previously approved by the Commission. The length of the loan will be 20 years at an interest rate that is currently anticipated to be 2.72%, but will be finally determined prior to closing. HAWC's petition indicates that it may be required to provide a security interest in the assets of the company. The company expects that payments of principal and interest will be made monthly beginning 30 days from the date of closing of the loan. On June 11, 2013, HAWC provided a copy of its Corporate Resolutions authorizing the company to enter into the SRF loan agreement with the NHDES. Those resolutions are attached to this letter.

Staff has reviewed HAWC's petition to amend the previous order, and supports the proposed financing as presented. The impact of adding this additional debt and the associated rate base was explored at the hearing in DW 12-170 regarding the proposed 2013 second step adjustment. Significantly, the procurement of additional SRF funds for this project ensures that HAWC will finance these improvements at the lowest possible cost to customers, while demonstrating responsiveness to concerns of the NHDES as to system water loss. The future rate impact to customers, as indicated in the DW 12-170 settlement agreement, is less than 1% in rates². The project will continue to address HAWC's water loss issues. Staff, therefore, recommends approval of HAWC's request for authority to borrow up an additional \$75,000 from the SRF to finance needed service replacements in its Atkinson-Hampstead core system.

² Attachment C to the settlement agreement presented in DW 12-170 indicates a potential rate impact of the second step adjustment of 0.73%, including approximately \$30,000 in well costs at the company's Eastwood Place system.

DW 11-226: Hampstead Area Water Company, Inc.
Petition to Amend Order for Authority to Borrow Long Term Debt
June 11, 2013

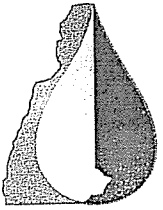
If there are any questions regarding this matter, please feel free to contact me at
(603) 271-2431.

Sincerely,



Mark A. Naylor
Director, Gas & Water Division

Attachment: Corporate Resolutions
cc: Service List



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

June 10, 2013

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

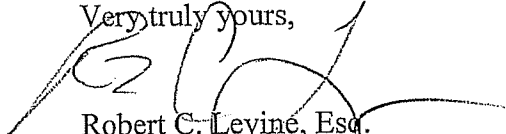
RE: DW-11-226
Petition to Amend Order #25,299

Dear Ms. Howland:

Please find the enclosed copy of the Corporate Resolution and Vote to authorize Hampstead Area Water Company to execute and deliver documents for the NH DES SRF loan in the amount of \$75,000.

If you have any questions or concerns, please do not hesitate to contact me.
Thank you for your consideration in this regard.

Very truly yours,



Robert C. Levine, Esq.
General Counsel

RCL/ja
enclosures

cc: HAWC
Stephen P. St. Cyr
DW-11-226 Service List

THE HAMPSTEAD AREA WATER COMPANY, INC. (the "Corporation")

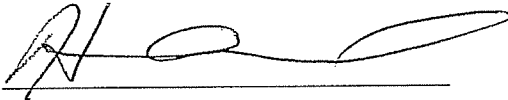
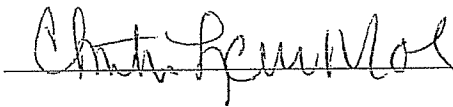
CERTIFICATE REGARDING
INCUMBENCY AND RESOLUTIONS
RE: SRF FINANCING

The undersigned, is the duly elected, qualified, and acting Secretary of THE HAMPSTEAD AREA WATER COMPANY, INC., a duly organized New Hampshire corporation, and does hereby certify as follows:

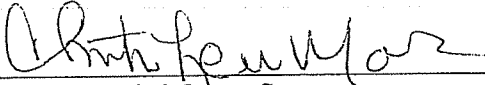
(a) Harold J. Morse is the duly elected, qualified and acting President and Treasurer of this Corporation (hereinafter, the "CORPORATION"). Christine R. Lewis Morse is the duly elected, qualified and acting Vice President and Secretary of this Corporation (hereinafter, the "CORPORATION"). The signatures below are their true signatures.

(b) The CORPORATION has duly adopted the resolutions set forth and attached hereto and dated as of the date set forth therein, none of which has been amended or repealed in any respect since such date, and all of which remain in full force and effect as of the date hereof.

(c) Attached hereto is the signature of the officers of the CORPORATION set forth opposite his and her name and said signature is true.

<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>
Harold J. Morse	President & Treas.	
Christine R. Lewis Morse	VP/Secretary	

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed on behalf of said corporation.

By: 
Christine R. Lewis Morse, Secretary

SECRETARY'S CERTIFICATE

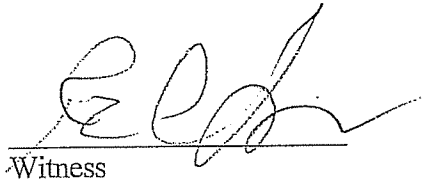
The undersigned, being the Secretary of The Hampstead Area Water Company, Inc., a New Hampshire corporation with a principal place of business at 54 Sawyer Ave., Atkinson, NH, does hereby certify as follows:

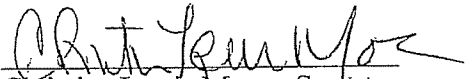
At a Special Meeting of the shareholders of the corporation held on June 4, 2013, it was unanimously:

VOTED: The President and Treasurer of the corporation, jointly and/or severally, and each of them on behalf of the Corporation, to execute a Promissory Note and to otherwise execute, acknowledge and deliver any and all documents relating to a loan by the State of New Hampshire, Department of Environmental Services State Revolving Fund and for a term loan in the original principal amount of \$75,000.00, and to execute and deliver such other documents, instruments, agreements and guarantees necessary and proper to consummate the transactions contemplated hereunder.

Dated: June 4, 2013

THE HAMPSTEAD AREA WATER COMPANY,
INC.


Witness

By: 
Christine Lewis Morse, Secretary

THE HAMPSTEAD AREA WATER COMPANY, INC.

RESOLUTION AND VOTE

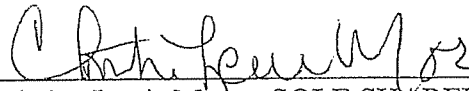
The undersigned, as SHAREHOLDERS of **THE HAMPSTEAD AREA WATER COMPANY, INC.**, a New Hampshire CORPORATION (hereinafter, the "Corporation"), hereby certifies that, by unanimous consent of the shareholders, on June 4, 2013, the following resolutions were unanimously adopted:

VOTED: The President and Treasurer of the corporation, jointly and/or severally, and each of them on behalf of the Corporation, to execute a Promissory Note and to otherwise execute, acknowledge and deliver any and all documents relating to a loan by the State of New Hampshire, Department of Environmental Services State Revolving Fund and for a term loan in the original principal amount of \$75,000.00, and to execute and deliver such other documents, instruments, agreements and guarantees necessary and proper to consummate the transactions contemplated hereunder.

I further certify that the foregoing resolution has not been altered, amended, or rescinded but remains in full force and effect.

WITNESS the hand and the seal of said Corporation this 4th day of June 4, 2013.

THE HAMPSTEAD AREA WATER COMPANY, INC.



Christine Lewis Morse, SOLE SHAREHOLDER