

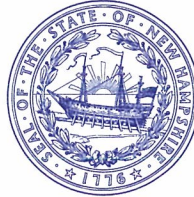
DW 13-323

THE STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

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

NH-PUC 19FEB'14M11:21

February 19, 2014

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

Re: DW 13-323, Hampstead Area Water Company, Inc.
Request for Franchise Expansion, Acquisition, and Financing Approval
Little River Village-Plaistow
Staff Recommendation for Approval

Dear Ms. Howland:

The purpose of this letter is to offer Staff's recommendation with respect to its review of the petition of Hampstead Area Water Company, Inc. (HAWC) in the above-referenced docket. HAWC seeks to extend its water utility business to serve customers in a proposed twenty-five unit residential development, Little River Village, in the Town of Plaistow; to acquire associated assets; to charge its currently authorized tariff rates in this new franchise area; and for approval of financing associated with the acquisition. Staff has reviewed the filing and the Company's responses to Staff's discovery requests, which are attached. Based upon this review, Staff supports the petition and recommends the Commission grant HAWC's petition.

On November 13, 2013, HAWC filed its petition along with the prefiled testimony of Harold Morse, president of HAWC, and John Sullivan, controller for HAWC affiliate Lewis Builders, Inc. The project, being developed by Torrromeo Trucking Co., Inc. (Torrromeo), of Methuen Massachusetts, is located within Tax Map 29, Lot 28, off of Main Street, Route 121A, in Plaistow. The project will consist of twenty-five single family homes. The developer expects to construct 5 homes per year with full build out possible in 2017. The first home is expected to be occupied by January 1, 2014. According to Mr. Morse, Torrromeo hired R.E. Prescott Co., Inc. to install the water system and obtain approval from the Department of Environmental Services (DES).

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The proposed area with a metes and bounds description is shown as Exhibit 3 of the filing. During discovery, Staff noticed the map included the two adjacent parcels noted in Mr. Morse's testimony but which are not subject to the instant franchise request. HAWC has since revised the map and description and those are attached to this letter. The Little River Village development will be served by a well and pump house on the franchise's property. Exhibit 2 provides a detailed map of the easement for the community well. The development will not be connected to HAWC's core system. Fire protection service will be provided by the Plaistow municipal fire system.

HAWC provided a copy of the DES approval for the well and water system as Exhibit 4 to its filing. In 2005, the DES permitted the well for a production volume of not more than 47,520 gallons per 24-hour period. As build out of the development occurs and well production meets 20,000 gallons, DES will require HAWC to report the usage through DES's Water Use Registration Program. Because the well to be used by this development has been approved by the DES, Staff believes HAWC satisfies the requirements of RSA 374:22, III regarding the suitability and availability of water.

The Little River Village water system is complete aside from the service lines to the un-built homes. A draft sales agreement between Torromeo and HAWC is at Exhibit 5; a bill of sale listing the specific assets was attached to the petition as Exhibit 7. The sales agreement provides for a sale price of \$25,000, to be paid by HAWC in \$1,000 per hookup installments. As part of the sales agreement, Torromeo agrees to grant HAWC a Water Rights Deeds and Easement. Torromeo already executed the deed and easement on October 22, 2013. See Exhibit 1. This easement secured HAWC's access to the water system and right to enforce the protective well radius easement. Pursuant to the bill of sale, Torromeo's cost of construction totals \$251,500. Because HAWC is only paying \$1,000 per hookup, with a cap of \$25,000, a sizable amount of the assets will be booked as Contribution in Aid of Construction (CIAC) from the developer and will not be included in rate base.

The Continuing Property Records (CPR) submitted with the filing do not contain the detail HAWC likes to keep, however, HAWC has requested more detailed CPRs from the original developer. Staff is comfortable with the present level of detail because HAWC proposes no change to its rates and HAWC expects to have more detailed CPRs soon. Also, when HAWC seeks to place the plant associated with this system into rate base, presumably at its next general rate case, Staff will have an opportunity to confirm the adequacy of the CPRs at that time.

HAWC proposes to charge its existing consolidated metered rates in the development. According to Mr. Morse's testimony, the rate is \$10.00 base charge per month with a consumption charge of \$5.02 per 100 cubic feet of water consumed. The Commission found this rate to be just and reasonable pursuant to RSA 378:28 and approved it in Docket No. DW 12-170 in Order No. 25,519.

HAWC provides water service to approximately 3,120 customers in eleven towns in southern New Hampshire, including Plaistow. Staff believes that HAWC, through its

operation of such systems and through the information in the instant filing, has demonstrated that it has the technical, managerial, financial, legal, and other capabilities to enable it to serve the proposed Little River Village subdivision. For the reasons indicated above, Staff concurs with HAWC's proposal to provide service to, and charge its existing rates in, the development. Staff recommends the Commission approve HAWC's franchise request.

Because payment of the \$25,000 sale price is being paid in installments, rather than at the time HAWC acquires the assets, HAWC and Torromeo propose a promissory note for \$25,000 with no interest. See Exhibit 8. The promissory note contains no term, however, Mr. Sullivan stated in his testimony that the term would be for 20 years. Staff suspects the actual term will be shorter in light of the fact that full build out is expected in 2017. Staff has reviewed these terms and believes they are reasonable. Staff believes the use of the proceeds to acquire the water system is reasonable and Staff recommends the Commission approve HAWC's financing request.

On December 24, 2013, HAWC notified the Town of Plaistow selectmen of the proposed petition to franchise this limited area of Plaistow. HAWC requested the selectmen to confirm this notification but HAWC has not yet received the confirmation. Staff is not aware of any intervenors in this docket.

If you have any questions regarding this matter, please contact me.

Sincerely,

A handwritten signature in black ink that reads "Robyn J. Descoteau". The signature is written in a cursive, flowing style.

Robyn J. Descoteau
Utility Analyst III

Attachments: Data Responses, Set 1
Revised Exhibit 3

cc: Service list

**Hampstead Area Water Company
DW 13-323 Little River Village
Staff Data Requests – Set 1
Answers**

**Date request received: 12/18/13
Staff 1-1**

**Date of Response: 12/24/13
Witness: Charles Lanza**

Please indicate the time frame anticipated for each of the following:

- a) Water system completion;
- b) First unit occupied;
- c) Final unit occupied.

Response 1-1

- a) The water system is complete aside from the service lines to the un-built homes.
- b) The Company anticipates the first unit to be occupied by January 1st, 2014
- c) The market will determine the rate at which the units are occupied. The developer has proposed constructing 5 homes per year which would result in the final home being occupied in 2017.

**Hampstead Area Water Company
DW 13-323 Little River Village
Staff Data Requests – Set 1
Answers**

**Date request received: 12/18/13
Staff 1-2**

**Date of Response: 12/24/13
Witness: Charles Lanza**

Referencing Exhibits 7 and 9: There do not appear to be any costs related to fire protection. Are there any hydrants installed in the sub-division? Please comment on the status of fire protection in Little River Village.

Response 1-2

There are hydrants located within the sub-division; however they are connected to the Town of Plaistow's municipal fire system and not the Little River Village Water System.

**Hampstead Area Water Company
DW 13-323 Little River Village
Staff Data Requests – Set 1
Answers**

**Date request received: 12/18/13
Staff 1-3**

**Date of Response: 12/24/13
Witness: Charles Lanza**

Referencing Continuing Property Records: Hampstead Area Water Company's Continuing Property Records are usually kept with much more detail than what was provided in the filing; will more continuing property detail, such as size and type, be provided as construction is completed?

Response 1-3

The construction of the water system was completed in 2007. The Company has requested more detailed CPR's from the original developer.

**Hampstead Area Water Company
DW 13-323 Little River Village
Staff Data Requests – Set 1
Answers**

**Date request received: 12/18/13
Staff 1-4**

**Date of Response: 12/24/13
Witness: Robert Levine**

Staff 1-4

Please provide signed documentation from the Town of Plaistow indicating their acknowledgment of HAWC's proposal to expand its franchise in Plaistow.

Response 1-4

Due to an oversight, the letter to the Town of Plaistow was not sent. It is now sent. Please find enclosed a copy of the sent letter and the enclosure.

**Hampstead Area Water Company
DW 13-323 Little River Village
Staff Data Requests – Set 1
Answers**

**Date request received: 12/18/13
Staff 1-5**

**Date of Response: 12/24/13
Witness: Charles Lanza**

Staff 1-5

Please comment on the potential for additional water customers from within or nearby the proposed franchise area, whether through future connection to the proposed water lines or by other means, including the extent to which any interest has been expressed in such service.

Response 1-5

The proposed franchise area consists primarily of three small community water systems. They are the Little River Village Water System, the Stonebridge Water System, and the Tuxbury Meadows Water System.

The Tuxbury Meadows Homeowners Association located to the North of Map 43 Lot 44 has expressed interest in HAWC acquiring their water system. At this point the Tuxbury Meadows Community is addressing concerns that would limit HAWC's ability to acquire their water system. Once these concerns are addressed we will proceed accordingly with the homeowners association.

The Stonebridge Water System is located between the Little River Village and Tuxbury Meadows System. Preliminary discussions have been had but due to recent turnover in board leadership these discussions have slowed. Once the new board has an opportunity to review the matter, the Company expects to move forward in this regard.



HAMPSTEAD AREA
WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

December 24, 2013

Board of Selectmen
Town of Plaistow
145 Main Street
Plaistow, NH 03865

Dear Board Members:

This letter is to advise you that the Hampstead Area Water Company, Inc. is filing a petition with the State of New Hampshire Public Utilities Commission to franchise a limited area in your town.

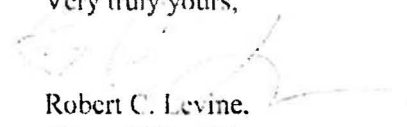
The purpose of the franchise area will be to serve the newly-developed subdivision/site known as Little River Village, off of Main Street, being developed by Torromeo Trucking Co. Inc.

We request that the Board of Selectmen acknowledge, in writing, to the Public Utilities Commission that they have been duly notified of this proposed petition to franchise this limited area. We have provided a form which you can sign and mail in the enclosed stamped envelope.

By signing this letter you are **not** waiving any right to intervene, should you so desire, nor to appear before or take part in the franchise proceedings before the PUC, should you so desire, but are only acknowledging that we have notified you of this proposed franchised petition.

If you have any questions, please do not hesitate to call me at the above number at extension 3019.

Very truly yours,


Robert C. Levine,
General Counsel

RCL/ja
encl.

TOWN OF PLAISTOW

Deborah Howland
Public Utilities Commission
21 Fruit Street, Suite 10
Concord, New Hampshire 03301-2429

RE: Petition of Hampstead Area Water Company, Inc. to develop a water system extension to service the Little River Village development, in Plaistow, NH.

Dear Ms. Howland:

Please be advised that the Plaistow Selectmen have been notified of the proposed petition to acquire and operate a small water system extension to serve the Little River Village development, located in Plaistow, New Hampshire, which will consist of approximately 25 units.

Our address is 145 Main Street, Plaistow, New Hampshire 03865, and our telephone number is 603-382-8469.

Dated: _____

Plaistow Board of Selectmen

By: _____

Title: _____

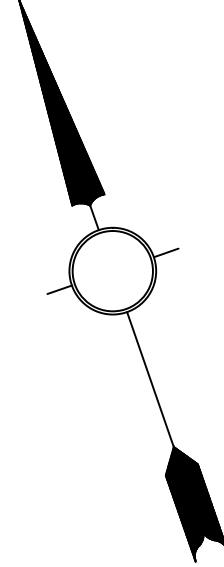
**PROPOSED FRANCHISE AREA
LITTLE RIVER VILLAGE**

A certain tract of land situated in Plaistow, County of Rockingham, and State of New Hampshire, bounded and described as follows, viz:

Beginning at Northeasternmost corner of Town of Plaistow Tax Map 43, Lot 43, at the Southerly sideline of Kingston Road; thence turning and running Southwesterly along the Eastern boundary of said Tax Map 43, Lot 43 to a point at the Southwesternmost corner of Tax Map 43, Lot 40 and the Northernmost corner of Tax Map 29, Lot 28; thence turning and running Southeasterly along the Southern boundary of Tax Map 43, Lot 40 to a point at the Western boundary of Tax Map 43, Lot 32; thence turning and running Southwesterly along said Western boundary of Tax Map 43, Lot 32 to a point at the Westernmost corner of Tax Map 43, Lot 31; thence turning and running Southwesterly along the Southern boundary of Tax Map 43, Lot 31 to a point in the centerline of the Little River; thence turning and running Westerly along the centerline of the Little River along the Southern boundaries of Tax Map 29, Lot 28 and Tax Map 29, Lot 23 to a point at the Northerly sideline of Main Street; thence turning and running Northwesterly along the Northerly sideline of Main Street along the Southwestern boundaries of Tax Map 29, Lot 23 and Tax Map 29, Lot 28 to a point at the Northerly sideline of Main Street at the Southernmost corner of Tax Map 29, Lot 27; thence turning and running Northeasterly along the Eastern Boundaries of Tax Map 29, Lot 27, Tax Map 30, Lot 72, Tax Map 30, Lot 71, Tax Map 30, Lot 70, to a point at the Southwesternmost corner of Tax Map 43, Lot 11; thence turning and running Southeasterly along the Southern boundary of Tax Map 43, Lot 11 to a point at it Southernmost corner; thence turning and running Northeasterly along the Western boundary of Tax Map 43, Lot 44 to a point at the Northernmost corner of Tax Map 44, Lot 44 and the Southerly sideline of Old County Road; thence turning and running Southeasterly along the Southerly sideline of Old County Road along the Northern boundaries of Tax Map 43, Lot 44 and Tax Map 43, Lot 43 to the point of beginning.

Containing Ninety Four and 00/100th (94.00) acres, more or less.

DRAWING PATH: C:\Users\CHARLI~1\LEW\AppData\Local\Temp\AcPublish_7096\LITTLE RIVER-FRANCHISE.dwg

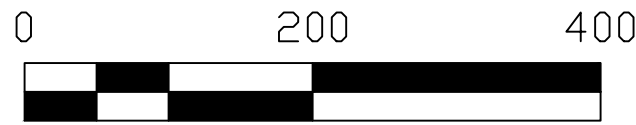


LEGEND

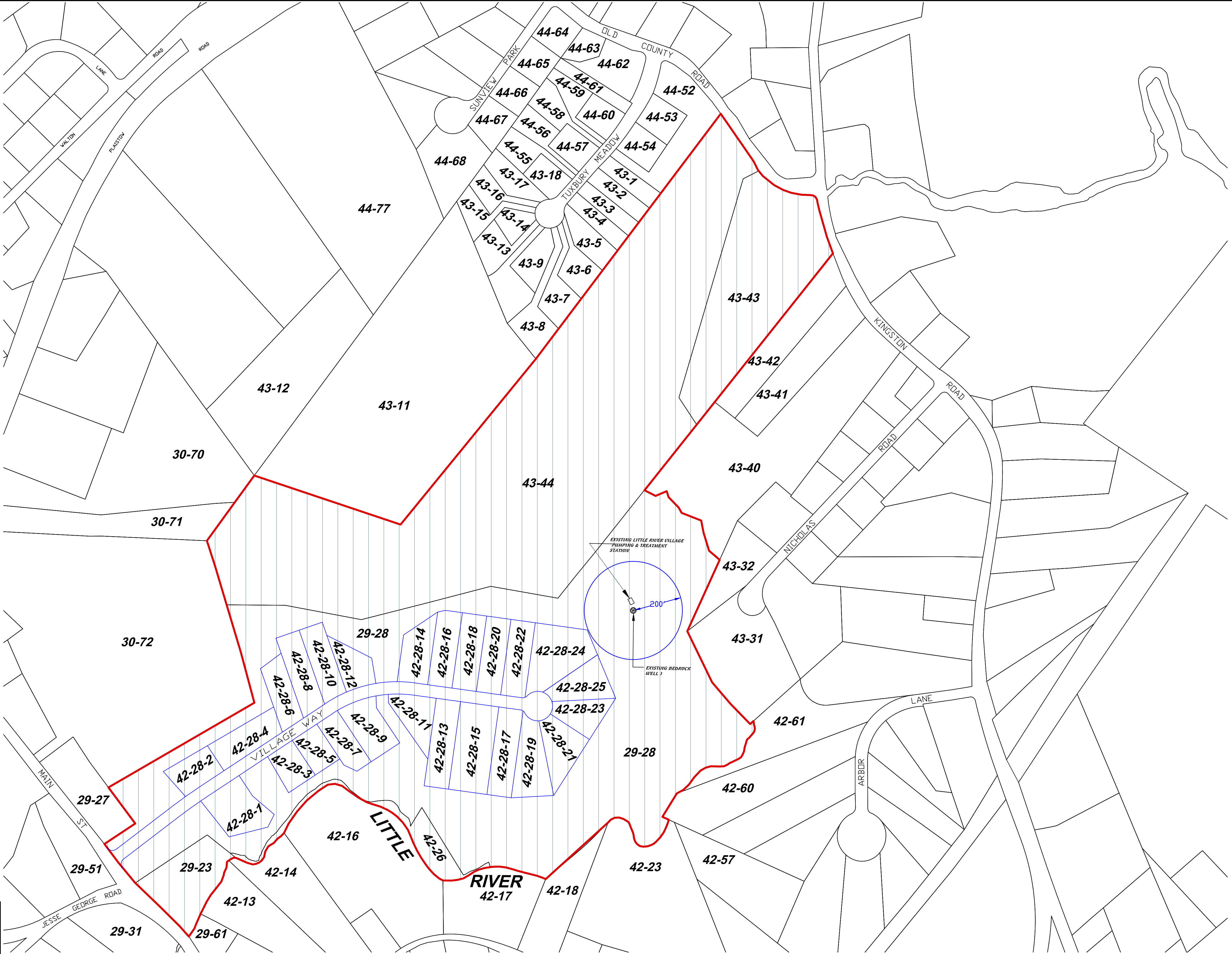
FRANCHISE AREA

FRANCHISE KEY NUMBER

FRANCHISE PERIMETER



PROPOSED LITTLE RIVER FRANCHISE AREA = 94± Acres



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811 (603) 362-4299

Web: <http://www.hampsteadwater.com>

Scale: 1" = 200'

EPA ID #: 0000000000

Comments:

PROPOSED ATKINSON EXPANSION FRANCHISE MAP

LOCATED IN PLAISTOW, NH

Drawing Name: LITTLE RIVER

Drawn By: SSC

Date: 10/14/13

Revisions: 2/13/14

Drawing Number: F-1