

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION
RE: HAMPSTEAD AREA WATER COMPANY, INC.
DW-18-

PETITION FOR APPROVAL OF DRINKING AND GROUNDWATER
TRUST FUND FINANCING AND STEP INCREASE

Hampstead Area Water Company (HAWC) hereby petitions the Public Utilities Commission (the Commission) for authority, pursuant to RSA §369, to borrow Nine Hundred Sixty Nine Thousand Nine Hundred Forty Five and 00/100th (\$969,945.00) Dollars in long term debt from the Drinking and Groundwater Trust Fund (DGTF), established under RSA 485-F, for authority to increase its rates to a level that will enable the Company to pay the debt service on such financing and earn a reasonable rate of return on its invested capital. The Company seeks expedited approval of this Petition in order to qualify for low-interest financing which is available for a limited time period. In support of its requests, the Company states as follows:

- 1) HAWC is presently franchised in most areas of Hampstead and Atkinson, New Hampshire, and has franchised satellite systems in various towns in Rockingham County (see Schedule A, attached). HAWC is a New Hampshire corporation, authorized by this Commission to produce and distribute water within the Company's authorized franchise areas throughout southeastern New Hampshire.
- 2) The proposed financing would fund part of the construction of the Atkinson Water Storage Tank, a one million gallon tank, to be located in Atkinson and become part of the Atkinson and Hampstead Core System. This storage tank would be in the best interest

for the Company in terms of system operation and resource planning and has the support of the Department of Environmental Services.

- 3) The Company's core system extend over most of Hampstead and Atkinson. The construction of the tank is part of a longer term project advocated by the Southern New Hampshire Regional Water Project, a NHDES project, to provide safe drinking water to the Town of Plaistow.
- 4) The total cost of the tank and appurtenant infrastructure is 2,047,662.00. NHDES is providing a grant of 1,077,717.00. The Company plans to borrow \$646,630.00 from the DGTF for the construction of the tank. Due to a change in the tax law concerning Contributions in Aid of Construction (CIAC), there will be a federal tax impact of \$323,315.00 for HAWC. HAWC plans to borrow that amount also as part of the DGTF loan. Accordingly, HAWC is requesting approval of financing the construction costs of the tank plus the tax impact for a total financing request of \$969,945.00
- 5) The cost of this construction is contained in a contract between HAWC and DN attached as Exhibit 1
- 6) The specific additions of new plant amounting to \$2,047,662.00 are attached as Exhibit 2.
- 7) The State of New Hampshire has preliminarily indicated that it would approve HAWC's request for financing (see SPS-1-8) subject to various terms and conditions. Generally, the terms and conditions are as follows:
 - a) The borrowing will amount to \$969,945.00
 - b) The loan will mature 30 years from the date of closing.
 - c) The interest rate is currently 2.424%.
 - d) The payment of principal and interest based on a 30-year amortization will be due

monthly beginning 30 days from the date of closing.

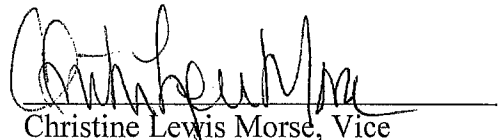
- 8) In order to be able to service this additional debt, the Company requires an increase in revenue of \$83,308, which would require an increase in its existing rates. Based on the projected costs, the Company anticipates an increase of \$.34 per ccf to the consumption rate, from \$5.95 per ccf to \$6.29 per ccf.
- 9) The State of New Hampshire's commitments are subject to receipt of Commission approval of the financing and the rate increase. The State of New Hampshire needs regulatory assurance that the Commission will authorize the rate increase to a level sufficient to pay the debt service.
- 10) The borrowings being proposed by the Company are in the public interest and consistent with the public good because it enhances the Company's ability to provide safe and reliable drinking water to its customers in its franchise areas at a reasonable cost. The interconnection will provide stability to the two core systems both as to water supply and emergency supply. The system improvements being proposed and the estimated cost of the improvements are reasonably necessary to provide such service to the Company's customers.
- 11) Simultaneously with this petition the Company is filing the direct testimony of Stephen P. St. Cyr (Exhibit 3) and related exhibits, as well as the direct testimony of Harold Morse, President of the Company (Exhibit 4). The direct testimony of Stephen P. St. Cyr describes the purpose of the financing, the proposed financing and the utilization of the funds from such financing. The exhibits include the cost of the financing, the accounting and financial aspects of this borrowing. The direct testimony of Harold Morse describes the project and the reasons for the storage tank and the appurtenant infrastructure.

WHEREFORE, Hampstead Area Water Company respectfully request that the Commission:

- A. Authorize the Company to borrow \$969,945.00 from the State of New Hampshire in accordance with the terms and conditions for the construction of new water storage tank and appurtenant infrastructure for the Atkinson and Hampstead Core System.
- B. Find that the execution of loan documents by the Company for purpose of consummating the aforementioned financing is consistent with the public good;
- C. Find that the use of the proceeds from the proposed financing and the amounts proposed to be spent by the Company for such improvements is prudent and consistent with the public interest;
- D. Authorize the Company to increase its rate by such amounts as to enable the Company to recover its investment and earn a reasonable rate of return on such investment;
- E. Grant such other and further relief as may be just and reasonable.

Dated:

Respectfully submitted,
Hampstead Area Water Co., Inc.



Christine Lewis Morse, Vice
President