

STATE OF NEW HAMPSHIRE
THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

HAMPSTEAD AREA WATER COMPANY, INC

DW 11-

PETITION FOR APPROVAL OF REFINANCING

PRE-FILED TESTIMONY OF JOHN SULLIVAN

Q. Please state your name and business address:

A. John Sullivan. 54 Sawyer Avenue, Atkinson, New Hampshire.

Q. What is your present employment?

A. I am the controller for Lewis Builders Inc., employed as are most employees, by Lewis Builders Development, Inc., a wholly-owned subsidiary of Lewis Builders, Inc.

Q. As controller for Lewis, do your duties also include similar duties for Hampstead Area Water Company, Inc. (HAWC)?

A. Yes.

Q. HAWC has submitted a "Petition for Approval of Financing". Would you explain briefly what the purposes are for this petition?

A. Yes. The Company will be refinancing its long term debt of \$1,380,000 with TD Bank. As per the attached Term Sheet from TD Bank, N.A., (Exhibit 1) the refinancing terms would be for a Five (5) year maturity and 250 basis points above the Five (5) Federal Home Loan Bank Classic Advance Rate (5.08% as of March 18, 2011), a fixed interest rate. The current interest rate is fixed at 6.27%.

TD Bank will lower the interest rate and extending the maturity date to 5 years from the closing date but the actual amortization period will not be increased. The original note was a 5

year note dated 8/14/09 with a maturity date of 8/14/14 and a 20 year amortization. For example if the new note is signed 8/14/11 then the maturity date will be 5 years (8/14/16) but the amortization period will be 18 years.

Q. Will the Company have a cash savings from this refinancing?

A. The financing will result in annual estimated cash savings to the Company of \$10,941.

Q. Are there other positive effects of the refinancing?

A. Yes. The lower interest rate will result in lower interest expense, which will have a positive effect on earnings.

Q. Are there any other positive effects of the refinancing?

A. Yes. The lower interest rate will result in a lower rate of return. The lower rate of return has the potential of lowering the revenue requirement and lower rates in the future.

Q. Are there any out of pocket costs to the Company?

A. The out of pocket cost to the Company will be an origination fee paid to the Bank of no more than \$2,500. While the Bank's term letter noted other potential costs, such as updated appraisals and environmental reports, none are anticipated for the Company in this transaction.

Q. Does this conclude your testimony?

A. Yes.