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STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

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DW 15-254

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August 5, 2015

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

Re: DW 15-254, Hampstead Area Water Company, Inc.
Request for Franchise Expansion, Acquisition, and Rate Approval
King's Landing – Kingston, NH
Staff Recommendation for Approval

Dear Ms. Howland:

The purpose of this letter is to offer Staff's recommendation with respect to the petition of Hampstead Area Water Company, Inc. (HAWC) in the above-referenced docket. HAWC provides water service to approximately 3,360 customers in twelve towns in southern New Hampshire, including Kingston. HAWC seeks permission to extend its water utility business to serve customers in a proposed forty-four (44) unit condominium development known as "King's Landing," located in Kingston. HAWC also seeks authority to acquire associated assets and to charge its currently-authorized, consolidated tariff rates in this new franchise area. Staff has reviewed the filing, supports the petition and recommends the Commission grant the relief requested by HAWC.

On July 6, 2015, 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 King's Landing project, developed by Trendezza, LLC, 172 Route 101, Bedford, NH, 03110, is located within Tax Map R-33, off of Marshall Road, Kingston, New Hampshire. The project will consist of forty-four single-family condominium units. With the assistance of HAWC, Trendezza has obtained the necessary water system and well approvals from the Department of Environmental Services (DES). As detailed in Exhibit 5 to the petition, the contract between Trendezza and HAWC, Trendezza will install the water system and convey it to HAWC.

The proposed franchise area with a metes and bounds description is shown as Exhibit 3. Exhibit 2 provides a detailed map of the easement for the community well. The development will not be connected to HAWC's core system, and HAWC will not provide fire protection service to King's Landing. Fire protection service will be provided by a cistern located within the project. Per the Company, the cistern is separate from the water system and not part of HAWC's acquisition.

HAWC provided a copy of the DES approval for the well and water system as Exhibit 4 to its petition. On August 22, 2014, the DES permitted the use of two bedrock wells to supply water for domestic use only. In-ground irrigation for the King's Landing project is not permitted. The permitted production volume/yield for well #1 is 7,200 gallons and well #2 is 14,400 gallons. Once the water system becomes active, DES will require HAWC to report the usage through DES's Water Use Registration and Reporting Program. HAWC will also be required to contact the DES' chemical-monitoring staff to set up a Master Sampling schedule. Because the wells to be used by this development have been approved by the DES, Staff believes HAWC satisfies the requirements of RSA 374:22, III, regarding the suitability and availability of water.

Exhibit 5 is a contract to install water system assets between HAWC and Trenzessa, Exhibit 6 is a schedule of costs of acquisition, and Exhibit 7 is a bill of sale listing the specific assets included within the acquisition. The sales agreement provides for a sale price of \$44,000, to be paid by HAWC in \$1,000 per-hookup installments. According to the bill of sale, Trenzessa's cost of construction is estimated to total \$396,400. Because HAWC is only paying \$1,000 per hookup, with a cap of \$44,000, 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.

Trenzessa executed a Water Rights Deeds and Easement on June 19, 2015. See Exhibit 1. This easement secures HAWC's access to the water system and right to enforce the protective well radius easement.

The Pro-forma Continuing Property Records (CPR), Exhibit 10, submitted with the filing, do not contain the detail kept by HAWC in the ordinary course of its business. More detailed CPRs, however, will be obtained by HAWC during the acquisition. Staff is comfortable with recommending approval of the franchise and other relief requested at this time, however, because HAWC proposes no change to its existing 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 in its next general rate case, Staff will have an opportunity to confirm the adequacy of the CPRs at that time.

According to Mr. Morse's testimony, HAWC's existing consolidated metered rate is comprised of a \$10.00 base charge per month and 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 in Docket No. DW 12-170. Order No. 25,519 (June 7, 2013). There

will be no fire protection charges since sprinkler systems and public fire hydrants will not be installed in this subdivision.

HAWC has been providing water service as a regulated public utility since the late 1970s. In that time, the company has grown to serve approximately 3,360 customers in twelve towns in southern New Hampshire, including Kingston. Based on this experience and the information provided in HAWC's petition, Staff views HAWC as having the technical, managerial, financial, legal, and other capabilities necessary to serve the proposed King's Landing subdivision. Staff concurs with HAWC's proposal to provide service to, and charge its existing rates, in the development, and Staff recommends the Commission approve HAWC's franchise request.

Because payment of the \$44,000 sale price is being paid in installments, rather than at the time HAWC acquires the assets, HAWC and Trendezza propose a promissory note for \$44,000 with no interest. See Exhibit 8. The promissory note contains no specific repayment dates due to installments being payable upon hookup of water service and installation of a meter for said service for each of the forty-four units. Staff has reviewed the terms of the promissory note 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.

In closing, Staff notes that on July 16, 2015 the Commission received a letter from the Town of Kingston, dated July 13, 2015, confirming notification of HAWC's petition. Presently, there are no intervenors in this docket.

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

Sincerely,



Robyn J. Descoteau
Utility Analyst III

cc: Service list

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:**

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- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.**
- c) Serve a written copy on each person on the service list not able to receive electronic mail.**