

June 20, 2017

Debra A. Howland, Executive Director  
N.H. Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

Re:  
DE 17-009  
The Prospect Woodward Home  
Request for Waiver of PUC 303.02

The following are the responses to questions identified in the March 21, 2017 Staff Letter to John Gray requesting additional information in Docket No. DE 17-009, The Prospect Woodward Home, Request for Waiver of Puc 303.02.

**Question #1** Are the planned 60 Assisted Living beds and 20 Nursing facility beds included within the proposed 145 apartments, or are the 60 Assisted Living beds and 20 Nursing facility beds within the Health Center, separate from and not included in the 145 self-contained residential units? Please explain in detail.

Response to Question #1 The project consists of: 140 apartments in 1, 2 and 3 bedroom formats and a separate Health Care Center which includes 60 Assisted Living units and 20 Nursing beds. The Health Care Beds are separate from and not included in the total of 140 apartments

**Question #2.** Was it necessary for the Hillside Village facility to include electricity service to the occupants of the 145 separate apartments in order to be granted (i) a Certificate of Authority by the New Hampshire Department of Insurance, and/or (ii) a Certificate of Need by the New Hampshire Department of Health and Human Resources? If so, then please describe in detail the statutes, rules, policies, and/or other basis of such requirements?

See below – Response to Questions #2, #3, #4, #5

**Question #3.** Is it a condition of either or both of the Certificate of Authority by the New Hampshire Department of Insurance, and/or the Certificate of Need by the New Hampshire Department of Health and Human Resources, for the Hillside Village facility to include

electricity service to the occupants of the 145 separate apartments? If so, then please describe in detail the applicable condition(s).

See below – Response to Questions #2, #3, #4, #5

**Question #4.** Was it necessary for the Hillside Village facility to include electricity service to the occupants of the planned 60 Assisted Living beds and 20 Nursing facility beds in order to be granted (i) a Certificate of Authority by the New Hampshire Department of Insurance, and/or (ii) a Certificate of Need by the New Hampshire Department of Health and Human Resources? If so, then please describe in detail the statutes, rules, policies, and/or other basis of such requirement( s ).

See below – Response to Questions #2, #3, #4, #5

**Question #5.** Is it a condition of either or both of the Certificate of Authority by the New Hampshire Department of Insurance, and/or the Certificate of Need by the New Hampshire Department of Health and Human Resources, for the Hillside Village facility to include electricity service to the occupants of planned 60 Assisted Living beds and 20 Nursing facility beds? If so, then please describe in detail the applicable condition(s).

See below – Response to Questions #2, #3, #4, #5

Response to Questions #2, #3, #4, #5 The project was designed to meet the following codes:

- The New Hampshire State building Code which consists of:
  - International Building Code, (2009 edition as modified by NH)
  - Accessibility Requirements IBC Chapter 11, ICC/ANSI A117.1-2003
  - International Mechanical Code , 2009 edition
  - International Plumbing Code, 2009 (edition as modified by NH)
  - International Energy Conservation Code, 2009 edition (as modified by NH)
  - National Electric Code 2015 edition
- NFPA 101 2015 edition

In order to maintain the Certificate of Authority from the New Hampshire Department of Insurance and the Certificate of Need from the New Hampshire Department of Health and Human Services, the facility must meet these design requirements. These codes do require that electricity service be provided to the residents of the 140 apartments and the 60 Assisted Living beds and the 20 Nursing facility beds.

**Question #6** The rule waiver request states that Hillside Village is contractually obligated to operate as a senior housing project for at least the full period of its 40-year financing term; please explain in detail how and why this fact should be considered by the Commission to grant 2a waiver of N.H. Code Admin. Rules Puc 303.02 {reproduced below}.

#### Response to Question #6

Included in the Disclosure Statement approved by the New Hampshire Department of Insurance as part of the overall Certificate of Authority approval, in the amenities section, "Sewer, Water, electricity, heat and air conditioning and trash removal will be furnished at no additional cost to the Resident". There are several reasons for this arrangement:

- The Hillside Village financial structure is designed to ensure a predictable financial structure for each resident.
- All residents pay an entrance fee and a monthly fee based on the specific unit selected. The entrance fee may be a fully refundable, partially refundable or non refundable fee based on the needs and desires of the individual resident. In addition to the entrance fee, residents are charged a monthly fee, again based on the specific unit selected. These fees do not change for the resident (except for annual "cost of living" increases), even if their health care needs change to the extent that they can no longer remain in their apartment but must move to an assisted living or a nursing unit. All residents undergo a financial screening to be sure that their income and assets are sufficient to meet the predictable fee structure for the remainder of their actuarially determined life span. The variable entrance fee structure (partially refundable and non refundable structures with a lower up- front fee allows prospective residents with a lower asset/income structure to meet the financial requirements for entrance. This way, we can provide access to Hillside Village to wider range of New Hampshire residents. Residents can change apartment units if desired and many residents move through the continuum from an apartment to an Assisted Living unit and eventually a Nursing bed, so an individual resident may occupy a number of accommodations throughout their lifespan at Hillside Village; . Again, their fee structure does not change. The Entrance Fee and Monthly Structure is identified in a Feasibility Study which is developed prior to any marketing efforts begin. This fee structure is an equation based on several factors:
  - An identification of a market service area with an unmet need for Continuing Care Retirement Communities. Since the planning for this community was initiated by a Keene long term Assisted Living provider who wished to continue its mission to serve the seniors in the Keene area, that was the market service area chosen for the project planning
  - An identification of the number of seniors in the MSA, and their income, and the housing resale values in the MSA
  - A prediction of the number of seniors who would be eligible based on their income and who would actually be interested in moving into such as community (based on national and regional industry statistics compiled on the over 2,000 such communities nationwide.

- An identification of construction costs in the MSA
  - An estimation of costs of operation to provide the services required by the seniors in the MSA
- From all these indices, a feasibility study is developed which will determine the Entrance Fee and Monthly Fee structure that would meet the operating expenses (including the costs of operating the Health Center – which costs are then included in the monthly fees for all residents, even though some residents will never need to access the Health Center) and the anticipated debt structure of the community. Since the community will be a not for profit CCRC, the financial structure is such that the operating margins required by the financing arrangements are met, but there are no “profits” which would inure to any individual or group.
- During the term of financing and beyond, there are many apartment turnovers and transfers. Not only is it in the best interests of the residents to keep any bills beyond their monthly service fee to a minimum, it is also in the best interest of the community. The structure is actually a form of insurance to cover any future long term care costs.
- The entrance fee and monthly fee structure was developed based on age, income and resale housing values in the primary and secondary market service areas (essentially a 25 mile radius surrounding Keene NH), as well as an projection of construction costs to build the number of units determined to be included in the project. Once the entrance fee and monthly fee structure is determined and marketing begins, it is not possible to change the fee structure as residents have made a financial commitment (a 10% deposit of the full entrance fee amount) to secure their commitment to become a resident. In order to achieve financing, 70% of the 140 apartments must be “pre-sold” under the predetermined financial structure.
- The lifestyle is one of community. Residents are encouraged to engage with the Continuing Care Retirement Community, enjoying communal dining, and activities and limiting their time in their individual apartments. To that end, there is a 30,000 sq ft community center to be utilized by all residents. The sewer, water and electric utility services for all these large community spaces are shared by all residents as they are included in the operating expenses of the community, supported by the monthly fees of the resident. This philosophy is the basis for the master metering waiver request. This is what makes Hillside Village different from a typical apartment building, condo, time share etc.

The above arrangements have been reviewed and approved as evidenced by the granting of a Certificate of Authority by The New Hampshire Department of Insurance. This carries with it the obligation to report on its operations and financial condition on an

annual basis. The community will be financed through the New Hampshire Health and Education Facilities Authority. Within these arrangements, the Community must meet the Financial and Operational Oversight requirements imposed by the financing arrangements imposed by the Bondholders, Underwriter and Financing Authority, as well as the New Hampshire Department of Insurance.

**Question #7.** Hillside Village states that “ it is in the public interest to ensure that the construction cost be kept as low as possible so the Resident entrance fee and monthly fee structure can be maintained at the lowest possible rate to allow the largest number of residents as possible to meet the financial requirements for entry into the community.” Please explain what the additional cost would be to install meter sockets for the individual 145 apartments during the new construction phase and how that cost would be included in or covered by the Resident entrance fee and monthly fee structure.

**Response to Question #7**

The cost of the meter sockets and secondary wiring to these sockets is approximately \$100,000. This cost is to be included in the overall construction cost

**Question #8.** Are you aware of any existing newly constructed facility in New Hampshire which is a Continuing Care Retirement Community that has separate apartments similar to the proposed Hillside Village? If so, are you aware whether or not these facilities have separate meters for each individual apartment or if any of these facilities is billed based on a "master meter" configuration? Please specifically identify any such other facilities.

**Response to Question #8**

There are a number of Continuing Care Retirement Communities in New Hampshire. While many do have individual meters, the general practice is that the costs are not directly passed on to the residents.

- Kendal at Hanover, as described in its Disclosure Statement, includes the cost of “water, electricity, heat and air conditioning” as included in the basic contract.
- Riverwoods in Exeter has individual meters for its Independent Living Units. The bills for the individual meters are sent directly to the Riverwoods business office, where one organizational check is prepared for the utility, accompanied by a spreadsheet identifying the individual metered bills as a reconciliation. The individual charges are not passed on directly to the residents. The monthly fee charged to the individual residents is inclusive of water, electricity, heat and air conditioning.
- One community, The Huntington did undergo an expansion in 2004 and does have “master meter” configuration for its apartment building. The community did install “meter sockets” to accommodate any future change. Its expansion did include individual cottages which are separately metered



- A new community in Peterborough, Scott Farrar, although not operating under a Certificate of Authority through the New Hampshire Department of Insurance, does have several levels of care including Independent Living, Assisted Living and Nursing Care. The Independent Living units are separately metered; however, these meters are not used to assess individual residents the electricity charges. A feed was installed through the Emon-Dmon which was installed next the panels that feed certain areas. This is used to monitor the usage.

This practice, as described in our original waiver request, does break the link between the customer and consumption.

**Question #9.** Please explain how and why the 145 proposed apartments for Hillside Village can be distinguished from and should be evaluated differently from any other newly constructed apartment building which includes community spaces for its residents?

Response to Question #9

The lifestyle is one of community. Residents are encouraged to engage with the Continuing Care Retirement Community, enjoying communal dining, and activities and limiting their time in their individual apartments. To that end, there is a 30,000 sq ft community center to be utilized by all residents. The sewer, water and electric utility services for all these large community spaces are shared by all residents as they are included in the operating expenses of the community, supported by the monthly fees of the resident. This philosophy is the basis for the master metering waiver request. This is what makes Hillside Village different from a typical apartment building, condo, time share etc.

**Question #10.** If the Commission were to grant the master metering rule waiver requested for Hillside

Village, how would the Commission distinguish that waiver approval from any similar waiver request made for other new construction having separate apartments that may or may not be considered a Continuing Care Retirement Community (excluding hotels, motels, dormitories, boarding houses, and time-sharing interests in condominiums which are expressly excepted from the rule)? Please explain in detail.

Response to Question #10

Hillside Village as a Continuing Care Retirement Community has a unique arrangement with its resident population. Residents are attracted to the overall financial structure of the community and the individual financial arrangements between the Community and the resident. In this arrangement, residents are not just "apartment dwellers" but are joined in a communal arrangement that has benefits far beyond the simple enjoyment of individual accommodations. The residents are attracted the "lifestyle" community, sharing common interests with members of the same generation, while having access to

the wide variety of activities sponsored by Hillside Village – both within the existing Hillside Village buildings and the greater Keene community. The residents also share a common interest through the “insurance” aspect of the community. The actuarially determined fee structure means the risk of long term care is shared among all the residents; some who will eventually access health care and some who do not.

In summary, A CCRC is a completely different arrangement from other construction projects having separate apartments or living units. The sharing of community space, encouragement to participate in the communal activities of sharing meals, and sharing the risk of the health care, all of which are reflected in a sharing of the costs of operation of the community, make this a very unique arrangement.

We are requesting that we be able to install meters at our five transformer locations as included in our current design, which has been reviewed by Eversource, to record use and generate bills to the community. Since we will not be billing residents individually for electric use, this would greatly simplify the billing process between Hillside Village and Eversource. We have identified with Eversource appropriate locations to install meter banks in the future, and we would install appropriate conduit to allow for the wiring to the future meter installation if required.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to be 'JG' or 'John Gray'.

John Gray  
Development Consultant

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