



HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

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NHPUC 27MAR'19 PM 12:47

March 26, 2019

Debra Howland
Executive Director & Secretary
Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, N. H. 03301-2429

Re: DW 18-138 – Hampstead Area Water Company (“HAWC”) Petition for Approval of Financing and Step Increase in Rates Company response to Staff Report regarding Financing Impact on Capital Structure

Dear Ms. Howland:

At the Commission’s request, on March 19, 2019, Mr. LaFlamme filed a report regarding the financing impact on HAWC’s capital structure. Mr. Laflamme used HAWC’s 2017 PUC Annual Report to determine the proforma 2017 capital structure and ratios. HAWC is in the process of finalizing its 2018 financial statements. Based on its preliminary 2018 financial statements, the 2018 debt to equity ratio is 57% to 43%. On a proforma basis, taking into consideration the proposed \$2,020,000 debt financings, the debt to equity ratio is 67% to 33%. See attached Preliminary Proforma Capital Structure and Ratios.

HAWC’s shareholder has a long history of contributing cash equity into HAWC including \$400,000 in both 2017 and in 2018. In addition, she will commit to contributing a total of at least \$750,000 to HAWC over the next 3 years. It is not likely that HAWC will ever fully draw the \$1 million line of credit.

The preliminary 2018 financial statement partially reflect the impact of the two rate increases recently approved in DW 17-118, but do not reflect the rate increases related to the Atkinson tank or any other additions to plant that will eventually to place in rate base and reflected in rates.

If you, the Commissioners, PUC Staff and / or any other parties have questions and comments, please contact John Sullivan at John@hampsteadwater.com or 603-362-5333.

Very truly yours,



Anthony Augeri, Esq.
2nd General Counsel

AA/ja
Enclosures

cc: HAWC
Service List (electronic)
Stephen P. St. Cyr

Preliminary Proforma Capital Structure

| Line No. | Account Title (Number) (a) | Ref. Sch. (b) | Current Year End Balance (c) | Previous Year End Balance (d) | Increase or Decrease (e) |
|----------------|--|------------------|------------------------------------|-------------------------------------|--------------------------------|
| EQUITY CAPITAL | | | | | |
| 1 | Common Stock Issued (201) | F-31 | \$ 16,767 | | \$ 16,767 |
| 2 | Preferred Stock Issued (204) | F-31 | | | |
| 3 | Capital Stock Subscribed (202,205) | F-32 | | | |
| 4 | Stock Liability for Conversion (203, 206) | F-32 | | | |
| 5 | Premium on Capital Stock (207) | F-31 | | | |
| 6 | Installments Received On Capital Stock (208) | F-32 | | | |
| 7 | Other Paid-In Capital (209,211) | F-33 | 3,554,354 | | 3,554,354 |
| 8 | Discount on Capital Stock (212) | F-34 | | | |
| 9 | Capital Stock Expense(213) | F-34 | | | |
| 10 | Retained Earnings (214-215) | F-3 | (820,317) | | (820,317) |
| 11 | Reacquired Capital Stock (216) | F-31 | | | |
| 12 | Total Equity Capital | | <u>\$ 2,750,804</u> | | <u>\$ 2,750,804</u> |
| LONG TERM DEBT | | | | | |
| 13 | Bonds (221) | F-35 | | | |
| 14 | Reacquired Bonds (222) | F-35 | | | |
| 15 | Advances from Associated Companies (223) | F-35 | | | |
| 16 | Other Long-Term Debt (224) | F-35 | 3,658,170 | 2,020,000 | 5,678,170 |
| 17 | Total Long-Term Debt | | <u>\$ 3,658,170</u> | <u>\$ 2,020,000</u> | <u>\$ 5,678,170</u> |
| | Total Capitalization | | <u>\$ 6,408,974</u> | <u>\$ 2,020,000</u> | <u>\$ 8,428,974</u> |

Preliminary Proforma Capital Structure Ratios

| | | | | | |
|----------------|--|------|----------------|----------------|----------------|
| EQUITY CAPITAL | | | | | |
| 1 | Common Stock Issued (201) | F-31 | 0.26% | | 0.20% |
| 2 | Preferred Stock Issued (204) | F-31 | | | |
| 3 | Capital Stock Subscribed (202,205) | F-32 | | | |
| 4 | Stock Liability for Conversion (203, 206) | F-32 | | | |
| 5 | Premium on Capital Stock (207) | F-31 | | | |
| 6 | Installments Received On Capital Stock (208) | F-32 | | | |
| 7 | Other Paid-In Capital (209,211) | F-33 | 55.46% | | 42.17% |
| 8 | Discount on Capital Stock (212) | F-34 | | | |
| 9 | Capital Stock Expense(213) | F-34 | | | |
| 10 | Retained Earnings (214-215) | F-3 | -12.80% | | -9.73% |
| 11 | Reacquired Capital Stock (216) | F-31 | | | |
| 12 | Total Equity Capital | | <u>42.92%</u> | | <u>32.64%</u> |
| LONG TERM DEBT | | | | | |
| 13 | Bonds (221) | F-35 | | | |
| 14 | Reacquired Bonds (222) | F-35 | | | |
| 15 | Advances from Associated Companies (223) | F-35 | | | |
| 16 | Other Long-Term Debt (224) | F-35 | 57.08% | 100.00% | 67.36% |
| 17 | Total Long-Term Debt | | <u>57.08%</u> | <u>100.00%</u> | <u>67.36%</u> |
| | Total Capitalization | | <u>100.00%</u> | <u>100.00%</u> | <u>100.00%</u> |