

2 STATE OF NEW HAMPSHIRE

3 THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

4 HAMPSTEAD AREA WATER COMPANY, INC

5 DW 18-000

6 PETITION FOR APPROVAL OF FINANCING

7 **PRE-FILED TESTIMONY OF JOHN SULLIVAN**

8 Q. Please state your name and business address:

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

10 Q. What is your present employment?

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

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

16 A. Yes.

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

19 A. Yes. The Company will be obtaining a line of credit in the amount of \$1,000,000  
20 with Pentucket Bank, if approved by the Commission. As per the attached  
21 Commitment Letter from Pentucket Bank, (Exhibit 1) the financing terms would  
22 be on demand and interest would be at a floating rate equal to the Prime Rate as  
23 published by the Wall Street Journal (5.00% as of September 12, 2018).

1 Q. What are the other terms and conditions the Bank is requiring?

2 A. The loan will be secured by a security interest in all assets of the Company, and  
3 will be guaranteed by Christine Lewis Morse, the sole shareholder and Vice  
4 President of the Company. Pentucket Bank will waive any annual line fee and the  
5 actual amortization will be interest only payments, payable monthly on funds as  
6 advanced and outstanding.

7 Q. What will be the effect of having this form of financing available to the  
8 Company?

9 A. It will provide the Company with better financial flexibility in making capital  
10 purchases over the course of the year.

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

12 A. Yes. Having the line of credit will enable the Company to obtain minor capital  
13 additions without having to wait for the Commission to approve it. This will  
14 increase the Company's productivity and customer service.

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

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

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

20 A. Yes. The Company will be required to pay all costs incidental to the loan  
21 transaction, including, title insurance premiums and the normal charges to  
22 the Bank's counsel for the transaction as well as LBD charges and outside  
23 accounting fees to pursue PUC approval.

1 Q. Does this conclude your testimony?

2 A. Yes.

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