

## **Exhibit 2**

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION  
HAMPSTEAD AREA WATER COMPANY

DW 21-xxx

PETITION TO APPROVE FINANCING FOR 2021 CAPITAL ADDITIONS

PREFILED DIRECT TESTIMONY OF STEPHEN P. ST. CYR

Q. What is your name and business address?

A. My name is Stephen P. St. Cyr and my business address is 17 Sky Oaks Drive,  
Biddeford, ME.

Q. Who is your employer?

A. My employer is Stephen P. St. Cyr & Associates.

Q. What are your responsibilities in this case?

A. My responsibilities are to support Hampstead Area Water Company's  
("Company" or "HAWC") financing request and to prepare the financial  
schedules and prefiled direct testimony which describes the financing and the  
financial schedules. In addition, I am prepared to testify in support of financing.

Q. Have you prepared testimony before this Commission?

A. Yes, I have prepared and presented testimony in numerous cases before the Public  
Utilities Commission, including requests for new and expanded franchises,  
requests for approval of State Revolving Fund ("SRF"), commercial bank and  
owner financings and requests for rate increases.

Q. What is the purpose of your testimony?

1 A. The purpose of my testimony is to support the Company's effort to borrow  
2 \$80,600 from either Ford Motor Credit or local bank, which will allow it to  
3 purchase a two 2020, or if no longer available, two 2021 Ford F250 XL pickup  
4 trucks with utility bodies. The first new proposed pickup truck will replace an  
5 older 2012 pickup truck, and the new second proposed truck is needed as field  
6 operations staff has increased. The Company intends to relegate the 2012 pickup  
7 truck to lighter duties.

8 Q. Please describe the Ford Motor Credit loan.

9 A. The term of the loan is 5 years. The interest rate will be 5.9%.

10 Q. What other financing options did the Company consider?

11 A. In reviewing the Company's other financing options, the Company reviewed  
12 Pentucket Bank's line of credit and 60 month auto loan and Enterprise Bank auto  
13 loan. The current interest rate on the Pentucket line of credit is 3.25%. However,  
14 the Company would prefer a guaranteed interest rate over a set period of time. It  
15 is likely that the credit line interest rate will increase over the length of the auto  
16 loan. The Pentucket Bank is offering 4.99% interest rate on a 60 month auto loan.  
17 The Enterprise Bank is offering 3.5% over 5 years. As always, these interest rates  
18 are subject to change at any time. If the Company were borrowing the funds  
19 today, it would go with Enterprise Bank. The Company will pursue the best  
20 financing option at the time of PUC approval.

21 Q. When does the Company anticipate entering into a loan agreement?

22 A. The Company anticipates entering into the loan agreement as soon as the  
23 Commission approves the financing.

1 Q. Is there anything else that you would like to discuss before you describe the  
2 financial schedules?

3 A. No.

4 Q. Has the Company determined the impact of the financing on the Company's  
5 financial statements?

6 A. Yes. The purchase of the truck and the financing at 5.9% interest rate over 5  
7 years has minimal impact on the Company financial statements. I have prepared  
8 proforma financial statements identified as SPS 1 – SPS 7.

9 Q. Would you please explain Schedule SPS 1-1, entitled Balance Sheet – Assets and  
10 Other Debits?

11 A. Yes. Generally, column (a) identifies the Line No., column (b) identifies the  
12 account title and PUC account number. Column (c) reflects the current year end  
13 balance, namely December 31, 2019. Column (d) identifies the adjustments for  
14 the truck financing to the December 31, 2019 account balances. Column (e) is  
15 the sum of columns (c) and (d).

16 Q. Please explain the adjustments reflected on SPS 1-1.

17 A. Schedule SPS 1-1 contains 4 adjustments.

18 The first adjustment reflects the net of the addition to utility plant for the  
19 purchase price of the two 2020 Ford F250 XL pickup trucks with utility bodies of  
20 \$80,600. There are no related retirements.

21 The second adjustment reflects the net of a half depreciation of \$5,757 on  
22 the 2021 addition to plant.

1           The third adjustment reflects the change in cash. While the change in cash  
2           is negative, the Company still has sufficient cash. The Company is before the  
3           NHPUC in DW 20-117 seeking a rate increase for various significant additions to  
4           plant including other plant. However, such other plant does not include the  
5           additions to plant for the two pickup trucks and the additional related debt. At  
6           some appropriate time during the rate case, the Company will seek to incorporate  
7           the additions to plant and the additional debt.

8           The fourth adjustment reflects the net of the estimated financing costs less  
9           the amortization of such financing costs over 5 years.

10    Q.    Please explain Schedule SPS 1-2, entitled Balance Sheet – Equity Capital and  
11           Liabilities.

12    A.    The description of the columns is the same as SPS 1-1.

13    Q.    Please explain the adjustments on reflected on SPS 1-2.

14    A.    Schedule SPS 1-2 contains 2 adjustments.

15           The first adjustment reflects the impact on net income. It reflects more  
16           depreciation, interest expense and amortization of debt costs resulting in less net  
17           income.

18           The second adjustment reflects the net of the long term debt borrowed and the  
19           first year repayment.

20    Q.    Would you please explain Schedule SPS-2, entitled Statement of Income?

21    A.    The description of the columns is the same as SPS 1-1.

22    Q.    Please explain the adjustments reflected on SPS-2.

23    A.    There are 3 adjustments to the Statement of Income.



1       The first adjustment is the increase in depreciation expense.

2       The second adjustment is the increase in interest expense related to the Ford

3       Motor Credit debt.

4       The third adjustment is the increase in the amortization of financing costs.

5   Q.    Would you please explain Schedule SPS 3, entitled Capital Structure?

6   A.    The Current Year Balance is the balance at December 31, 2019 and is also

7       reflected on the Balance Sheet (see SPS 1-2). The adjustments are the change in

8       retained earnings due to the decrease in net income and the change in long term

9       debt due to the financing. The related capitalization ratios are shown on the

10       bottom half of the schedule. The Company's December 31, 2019 debt to equity

11       position is weighted toward debt due in part to its negative retained earnings. The

12       financing has only minimal impact on the debt to equity position. In recent years,

13       the Company's shareholder has put in additional paid in capital to help balance

14       the capital structure.

15   Q.    Please explain Schedule SPS-4, entitled Journal Entries.

16   A.    Schedule SPS-4 identifies the specific journal entries used to develop the

17       proforma financial statements. The significant journal entries are JE#3, the

18       borrowing of funds from Ford Motor Credit, and JE#4, the purchase of the two

19       Ford F250 XL pickup trucks with utility bodies and JE#6, which shows the 1-year

20       principal and interest payments on the loan.

21   Q.    Would you like to explain SPS-5?

22   A.    SPS-5 shows the plant, accumulated depreciation and depreciation expense. The

23       truck is being depreciated over 7 years.

- 1 Q. Would please explain SPS-6?
- 2 A. SPS-6 shows the source and use of the funds.
- 3 Q. Would you please explain SPS-7?
- 4 A. SPS-7 shows the estimated costs to pursue PUC approval of the financing. The  
5 Company believes that this is a simple financing in the ordinary course of  
6 business. As such, financing costs should be minimal.
- 7 Q. How does the Company propose to repay the Ford Motor Credit or bank loan?
- 8 A. The Company has adequate cash to pay the monthly principal and interest on the  
9 loan in the short term. At some appropriate point, in DW 20-117, the Company  
10 will propose that the assets be added to rate base and the loan will be added to the  
11 capital structure in the determination of future rates.
- 12 Q. What does the Company propose to do with the costs of the financing?
- 13 A. The costs associated with the PUC approval will be deferred and amortized over  
14 the term of the 5 year term of the loan.
- 15 Q. Why should the Commission approve the financing?
- 16 A. The Commission should approve the financing because it is in the best interest of  
17 the Company and its customers. The financing will allow the Company to  
18 purchase the two 2020 Ford F250 XL pickup trucks with utility bodies to take  
19 over the duties of an older truck which can no longer do the job and to provide  
20 truck for new field person.
- 21 Q. When should the Commission approve the financing?

1 A. The Company respectfully requests that the Commission approve the financing as  
2 soon as possible but no later than April 30, 2021 so that the Company can borrow  
3 the funds and purchase the trucks.

4 Q. Is there anything else that the Company would like to bring to the Commission's  
5 attention?

6 A. No.

7 Q. Please summarize the approvals that the Company is requesting.

8 A. The Company respectfully requests that the PUC approve the financing by Ford  
9 Motor Credit or local bank in the amount of \$80,600 under the terms stated  
10 previously.

11 Q. Does this conclude your testimony?

12 A. Yes.