

THE STATE OF NEW HAMPSHIRE

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PUBLIC UTILITIES COMMISSION

21 S. Fruit Street, Suite 10
Concord, N.H. 03301-2429

Tel. (603) 271-2431

FAX (603) 271-3878

TDD Access: Relay NH
1-800-735-2964

Website:
www.puc.nh.gov

June 11, 2008

Ms. Debra A. Howland
Executive Director and Secretary
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, New Hampshire 03301-2429



Re: DW 08-033: Hampstead Area Water Company, Inc.
Petition for Approval of Financing
Staff Recommendation

Dear Ms. Howland:

On March 5, 2008, Hampstead Area Water Company, Inc. (HAWC / Company) submitted a petition to the Commission requesting approval of financing for proposed additions and upgrades to its system assets and for two additional wells. Accompanying its petition were various supporting exhibits as well as the pre-filed direct testimony of Stephen P. St. Cyr, HAWC's consultant in this case. The Commission Staff reviewed HAWC's filing and propounded discovery questions on March 31, 2008 to which the Company responded on April 16, 2008. Having reviewed the filing and discovery responses, Staff is recommending that the Commission approve HAWC's request.

HAWC seeks approval for a total financing in the amount of \$165,329.47 to be borrowed from its affiliate, Lewis Builders Development, Inc. (LBDI), in order to fund three distinct projects. The first project involves SCADA system upgrades to certain facilities within the HAWC system. These include Village Drive, Shop Water Tank and Pit Hatch in Atkinson as well as Colby Pond in Danville. The total estimated cost of these SCADA system upgrades is \$48,596.70. HAWC anticipates that the installation of these upgrades will occur by year's end.

The second project identified by HAWC is a hydraulic system model as well as GIS water system mapping for the purpose of analyzing the interconnection of the

Hampstead and Atkinson water systems. HAWC estimates that the cost of the hydraulic system model will be approximately \$45,000.00 and that the GIS system mapping will cost approximately \$39,000.00 for a total estimated project cost of \$84,000.00. HAWC anticipates that these items will be completed by year's end as well.

The third project, which has already been completed by HAWC, is the drilling and installation of two new wells in Atkinson at its Bryant Woods and Dearborn Ridge systems. These wells were necessary in order to alleviate supply issues at these systems. The cost of the Bryant Woods well was \$8,515.18 and the cost of the Dearborn Ridge well was \$24,217.59 for a total cost of \$32,732.77.

HAWC proposes that distinct promissory notes should be issued from LBDI for the necessary financing associated with each of the three projects. HAWC indicates that the promissory note for the SCADA upgrades in the amount of \$48,596.70 would be payable over a term of 10 years; the note for the hydraulic study and GIS model in the amount of \$84,000.00 would be payable over a term of 5 years; and the note associated with the two new wells in the amount of \$32,732.77 would be payable over a term of 20 years. The terms of each note roughly coincide with the anticipated depreciable lives for each of the associated projects. HAWC is anticipating that the debt will be issued by July 1, 2008.

The original petition filed by HAWC also indicated that each note would carry an interest rate of 8.25%, based upon the Prime Rate in effect at the time of filing of 6.00% plus an additional 2.25%. However, in response to a discovery question, HAWC indicated that it would not object to an initial interest rate based upon the Prime Rate in effect as of the last day of the calendar quarter prior to the date of the issuance of the Commission's order in this docket and adjustable every three years thereafter. Based upon HAWC's response and a Prime Rate of 5.25% in effect as of March 31, the initial interest rate on the three promissory notes is now projected to be 7.50%.

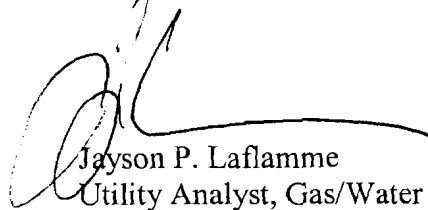
HAWC's current debt to equity ratio is heavily weighted towards debt due to its negative equity position. However, the ownership of HAWC has made significant equity contributions to the Company in recent years and is committed to providing additional capital if necessary. In addition, HAWC has recently filed a Notice of Intent to File Rate Schedules. It is anticipated that this rate increase will further improve HAWC's debt to equity position as well as enable the Company to better meet its debt obligations.

Based upon its review of HAWC's petition and discovery responses, it is Staff's recommendation that the Commission approve the Company's request for financing in an amount up to \$165,330. Staff believes that the proposed uses of the financing are necessary in order to enable HAWC to provide a safe and adequate supply of water to its customers and therefore is in the public good. Staff also believes that the terms of the three proposed promissory notes including the revision in the initial interest rate agreed to by HAWC are reasonable and consistent with the terms of other recent financings approved for HAWC by the Commission.

June 11, 2008

Staff has attached a copy of HAWC's discovery responses to this correspondence for your review. Staff is also available to the Commission regarding any questions that it may have pertaining to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Jayson P. Laflamme", with a long horizontal stroke extending to the right.

Jayson P. Laflamme
Utility Analyst, Gas/Water Division

Attachment: HAWC Discovery Responses
cc: Service List



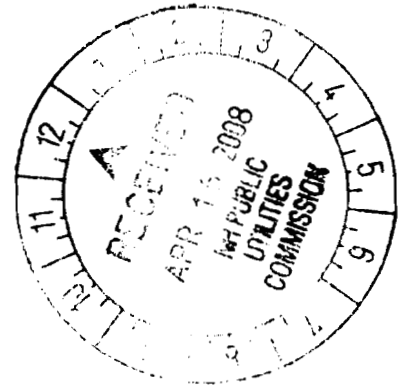
HAMPSTEAD AREA

WATER COMPANY, INC

54 SAWYER AVENUE, ATKINSON, NH 03811

TEL: 603.362.4299 FAX: 603.362.4936
www.hampsteadwater.com

April 14, 2008



Marcia Thunberg
NH PUC
21 S. Fruit Street, Suite 10
Concord, NH 03301-2429

RE: DW-08-033 Petition for Approval of Financing
Answers to Staff Data Requests – Set 1

Dear Marcia:

Please find enclosed the Answers to Staff Data Requests – Set 1 regarding the above referenced matter.

Please feel free to contact me if you have any questions. I can be reached at 603-362-5333 ext 3019.

Sincerely,


Robert C. Levine
General Counsel

Enclosures
RCL/ja

Cc: Service List
Christine Lewis Morse, VP
Harold Morse, GM

Hampstead Area Water Company
DW 08-033
Staff Data Requests – Set 1
Answers by the Company

Staff 1-1

Regarding the SCADA system improvements, please indicate:

- a) What HAWC facilities are currently monitored under the existing SCADA system.
- b) The function and location of the “Pit Hatch” in Atkinson.
- c) The extent to which existing or proposed facilities include entry alarms.
- d) Whether the company obtained bids or quotes from any entity other than Electrical Installations, Inc. If so, please provide. If not, please indicate why not.
- e) Whether the company envisions further expansion of the SCADA system in the future.

Answer:

- a) HAWC currently monitors eight facilities with SCADA throughout the HAWC network. These facilities include:
 - 1. Waterford Village in Sandown, NH
 - 2. Autumn Hills in Sandown, NH
 - 3. Smith Mountain water tower in Hampstead, NH
 - 4. Granite Village in Hampstead, NH
 - 5. Midpoint in Atkinson, NH
 - 6. Village Green in Hampstead, NH
 - 7. Angle Pond in Hampstead, NH
 - 8. Jameson Ridge in Atkinson, NH
- b) The Pit Hatch in Atkinson is located at 44 Main St. (Route 121) The Pit Hatch station (it formerly pumped water from the Bryant Woods system to the rest of the system to the west) has been inactivated due to declining well yields at Bryant Woods and now serves as a pressure reducing vault.
- c) Currently no existing or proposed facilities include entry alarms. However we have been looking into the feasibility of adding door entry alarms to our current SCADA equipped stations and Pulsar alarmed stations.
- d) HAWC did not obtain any other bids or quotes from any entities aside from Electrical Installations, Inc (EII) for the setup of the SCADA component of the system. HAWC did not obtain bids from other SCADA entities due to EII’s extensive knowledge of HAWC system operations. However HAWC did receive quotes from R.E. Prescott, Inc. and Electrical Installations for 5 of the 8 existing control panels. HAWC chose to place R.E. Prescott panels in the following pumping stations: Waterford Village, Autumn Hills, Granite Village, Angle Pond, and Jameson Ridge.

- e) All new systems are now required to be equipped with SCADA. HAWC envisions expansion of the SCADA system in key systems throughout the existing HAWC network. Currently these systems include:

1. The Sawyer Avenue Tank in Atkinson NH
2. Cranberry Meadows water system in Hampstead, NH
3. Pit Hatch on Route 121 in Atkinson, NH
4. Colby Pond station in Danville, NH
5. Village Drive station in Atkinson, NH

Staff 1-2

Regarding the hydraulic study and GIS mapping, please indicate:

- a) Whether the company obtained bids or quotes from any entity other than Tighe & Bond. If so, please provide. If not, please indicate why not.
- b) Who will own and maintain the GIS mapping once completed.
- c) Who will own, maintain and use the hydraulic model once completed.

Answer:

- a) HAWC did not obtain any other quotes from companies regarding GIS and Hydraulic modeling. The referenced Tighe & Bond quote was obtained as a baseline for budgeting purposes. It is expected when this petition is approved HAWC will request 2-3 quotes for GIS and Hydraulic Modeling respectively.
- b) HAWC will own, maintain, and use the GIS mapping when completed.
- c) HAWC will own, maintain, and use the Hydraulic modeling when completed.

Staff 1-3

Is the Emery & Garrett hydrogeological study of the town of Atkinson complete? If so, please provide a copy. If not, when do you expect it to be completed?

Answer:

To date, Emery & Garrett has completed the first three work tasks of Project II:

- 1) Interview water superintendent and other pertinent water company personnel regarding the historical utilization of existing production wells.
- 2) Conduct a detailed site visit and walk through of the entire pumping and water distribution system
- 3) Review and evaluate existing pumping records, water quality records, and well construction information.

Much of the information gained through these work tasks was presented in the Preliminary Hydrogeologic Report recently submitted to the NH Department of Environmental Services (NHDES), which was copied to the PUC.

The remaining task involves making recommendations for modifying well construction, well locations, pumping schedules, etc. (i.e. creating a Water Management Plan). The development of new wells, as proposed in the Preliminary Report, could potentially eliminate the use of four of the existing production wells, while making new water resources available to the HAWC. Therefore the completion of the water withdrawal permitting process will provide insight regarding a system-wide well management plan.

Staff 1-4

HAWC's website indicates that a Large Groundwater Withdrawal Permit application has been filed for the town of Atkinson. Please indicate its current status.

Answer:

The Emery & Garrett preliminary report for the Large Groundwater Withdrawal in the town of Atkinson is complete. It was submitted to NHDES, local municipalities, and local water systems on Wednesday March, 26th 2008. We are currently working on scheduling a public hearing for the preliminary report, and a copy was sent to Doug Brogan at the PUC

Staff 1-5

Please indicate when the company anticipates initiating the hydrogeological study of the town of Hampstead.

Answer:

HAWC anticipates initiating the hydrogeological study in the town of Hampstead upon completion of the Atkinson hydrogeological study. We expect this to be in the first quarter of 2009.

Staff 1-6

Regarding the Bryant Woods well:

- a) Please indicate the extent to which the Bryant Woods and Walnut Ridge systems currently function independently of one another, and whether any change is anticipated in this regard in the future.
- b) Please indicate the extent to which the well is intended to address supply issues raised in the Sanitary Survey of the Walnut Ridge/Bryant Woods systems issued by NHDES on August 13, 2007. If other correspondence from NHDES provides additional support for the need for more supply in Bryant Woods, please provide as well.
- c) The heading of Exhibit 2 indicates the costs are associated with a "test well", yet the testimony of Mr. St. Cyr indicates the "two wells [Bryant Woods and Dearborn Ridge] are completed" (p. 4, middle). Similarly, Exhibit 2 reflects costs through June 2007, while Mr. St. Cyr's testimony indicates those figures represent "the costs to date" (p. 3,

middle). Please clarify the status of the well and of the costs proposed for inclusion in the filing.

Answer:

- a) Currently the Bryant Woods and Walnut Ridge systems function independently of one another, except during peak demands. During peak demands such as summer months the Walnut Ridge Water System sends water down gradient through the Route 121 Pit Hatch to supply the Bryant Woods water system. The results of the Atkinson Hydrogeological study and the Large Groundwater Withdrawal will determine whether any change occurs at the Bryant Woods water system.
- b) The Bryant Woods well is complete and did not yield any water to resolve issues raised in the Sanitary Survey of the Walnut Ridge / Bryant Woods systems issued by NHDES on August 13, 2007.
- c) The Bryant Woods well has been drilled and is completed.

Staff 1-7

Regarding the Dearborn Ridge well(s):

- a) The testimony of Mr. St. Cyr refers to "Dearborn wells", plural (p. 3, middle). Please clarify whether one or more new wells are involved.
- b) Please indicate whether the well(s) are intended to provide a backup source to a single existing well in this system. If not, please explain the need for the well(s).
- c) Please provide copies of any correspondence from NHDES in support of the need for additional supply in this system.
- d) The testimony of Mr. St. Cyr indicates the Bryant Woods and Dearborn "wells are completed" (p. 4, middle). However, Exhibit 3 includes projected costs for the Dearborn well(s). Please clarify the status of the Dearborn well(s) and of the costs proposed for inclusion in the filing.

Answer:

- a) There is only one new well involved.
- b) The new well (Dearborn Ridge well 2) is proposed to offset the declining yield in the existing Dearborn Ridge well 1. It is expected that the new well will serve as the primary supply with the existing well acting as a "backup supply".
- c) See Attached 7-23-07 Replacement Well Approval letter from NHDES.
- d) The Dearborn Ridge well is completed and currently we are waiting on a response from NHDES regarding the Final Replacement Well application.

Staff 1-8

The promissory notes in Exhibit 5 contain the following terms:

5 years for hydraulic model/GIS;
10 years for wells; and
20 years for SCADA improvements.

Attachment SPS-5 to Mr. St. Cyr's testimony contains the following depreciation lives:

5 years for hydraulic model/GIS;
30 years for wells; and
10 years for SCADA improvements.

Please provide the rationale for the various terms and lives, including the reason for differences between the two for wells and SCADA improvements.

Answer:

See revised promissory notes for wells and SCADA improvements. The terms and depreciable lives should be the same in order for the Company to have the cash available to pay the loans. The term and the depreciable live for the hydraulic model / GIS are the same. With the revised note for the SCADA improvements, the term and the depreciable live for the SCADA improvements are the same. With the revised note for the wells, the term of the note is 20 years and the depreciable live is 30 years. The 20 year term is the longest term that the lender would accept. The 30 year depreciable live is the "average service life" for a "typical water company" as suggested by the PUC.

Staff 1-9

Do you anticipate that SRF monies, interconnection grants or other funding sources will cover any of the projects proposed for financing in this docket? Please explain, including the current status of any such loan or grant applications.

Answer:

HAWC does not anticipate any funding sources will cover any of the projects proposed in this docket.

Staff 1-10

Re: Interest rates of proposed notes:

- a) In previous financings proposed by the Company and approved by the Commission, the initial rates of the notes have been established at 2.25% above the Prime Rate as of the last day of the calendar quarter prior to Commission approval and adjusted every three years hence. For this proposed financing, the interest rate of the three notes has been established in accordance with the prime rate as of the date of the filing, or 6.00%, with no provision for adjustment. Please explain.
- b) Would HAWC or LBDI object to the establishment of an initial interest rate on the notes based upon the Prime Rate as of the last day of the calendar quarter prior to Commission approval (Prime Rate is 5.25% as of 3/31/08) with an adjustment every three years hence? If no, please explain.

Answer:

- a. See revised promissory notes, which reflect a provision for an adjustment every three years hence.
- b. HAWC would not object.

Staff 1-11

Page 10 of the Prefiled Direct Testimony of Stephen P. St. Cyr states that the Company's ability to repay the new debt is dependant upon the Commission's approval of an increase in rates in a future rate proceeding. Please indicate when the Company anticipates submitting a filing for a general rate increase.

Answer:

The Company is presently planning a rate filing, which would reflect both the additions of plant to rate base and promissory notes to capital structure, in the spring of 2008 with a test year of 2007.

Staff 1-12

Exhibit 4 calculates Year 1 interest on the notes as \$12,966. Please explain how this amount was calculated.

Answer:

See attached loan amortization schedules, which reflects the first year interest expense for the promissory notes.

REVISED EXHIBIT 5-1

PROMISSORY NOTE
SCADA UPGRADES

Initial Interest Rate 8.25%
Principle Balance: \$48,596.70
Date: July 1, 2008
Term: Ten (10) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of Forty Eight Thousand Five Hundred Ninety Six and 70/100th Dollars (\$48,596.70) (Principal), with interest on the unpaid balance in the amount of Eight and 25/100th (8.25%) percent, and then adjusted every three years thereafter on the anniversary date of the last business day of the quarter prior to PUC approval, at the rate of Two and One-Quarter percent (2¼ %), plus the Prime Rate, as published in the Wall Street Journal , and payable as follows::

In One Hundred and Twenty (120) monthly installments of \$596.05 commencing on July 1, 2008 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Witness:

By: _____
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

BY _____
Christine Lewis Morse, its Vice President duly authorized

14-Apr-08

**HAWC
SCADA**

PRINCIPAL: \$48,596.70
INTEREST RATE: 8.250%
NO. OF MONTHS: 120
PAYMENT/MO.: \$596.05
PAYMENT/YR.: \$7,152.60

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE		
1	\$261.95	\$334.10	\$596.05	\$48,334.75	3/1/2008	
2	\$263.75	\$332.30	\$596.05	\$48,071.00	4/1/2008	
3	\$265.56	\$330.49	\$596.05	\$47,805.44	5/1/2008	
4	\$267.39	\$328.66	\$596.05	\$47,538.05	6/1/2008	
5	\$269.23	\$326.82	\$596.05	\$47,268.82	7/1/2008	
6	\$271.08	\$324.97	\$596.05	\$46,997.74	8/1/2008	
7	\$272.94	\$323.11	\$596.05	\$46,724.80	9/1/2008	
8	\$274.82	\$321.23	\$596.05	\$46,449.98	10/1/2008	
9	\$276.71	\$319.34	\$596.05	\$46,173.27	11/1/2008	
10	\$278.61	\$317.44	\$596.05	\$45,894.66	12/1/2008	
11	\$280.52	\$315.53	\$596.05	\$45,614.14	1/1/2009	
12	\$282.45	\$313.60	\$596.05	\$45,331.69	2/1/2009	\$3,887.59

**PROMISSORY NOTE
HYDROLIC STUDY & GIS**

Initial Interest Rate 8.25%
Principle Balance: \$84,000.00
Date: July 1, 2008
Term: Five (5) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of Eighty Four Thousand and 00/100th Dollars (\$84,000.00) (Principal), with interest on the unpaid balance in the amount of Eight and 25/100th (8.25%) percent, and then adjusted every three years thereafter on the anniversary date of the last business day of the quarter prior to PUC approval, at the rate of Two and One-Quarter percent (2¼ %), plus the Prime Rate, as published in the Wall Street Journal , and payable as follows:

In Sixty (60) monthly installments of \$1,713.29 commencing on July 1, 2008 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Witness:

By: _____
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

BY _____
Christine Lewis Morse, its Vice President duly authorized

14-Apr-08

HAWC
HYDROLIC STUDY & GIS

PRINCIPAL: \$84,000.00
INTEREST RATE: 8.250%
NO. OF MONTHS: 60
PAYMENT/MO.: \$1,713.29
PAYMENT/YR.: \$20,559.48

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE		
1	\$1,135.79	\$577.50	\$1,713.29	\$82,864.21	3/1/2008	
2	\$1,143.60	\$569.69	\$1,713.29	\$81,720.61	4/1/2008	
3	\$1,151.46	\$561.83	\$1,713.29	\$80,569.15	5/1/2008	
4	\$1,159.38	\$553.91	\$1,713.29	\$79,409.77	6/1/2008	
5	\$1,167.35	\$545.94	\$1,713.29	\$78,242.42	7/1/2008	
6	\$1,175.37	\$537.92	\$1,713.29	\$77,067.05	8/1/2008	
7	\$1,183.45	\$529.84	\$1,713.29	\$75,883.60	9/1/2008	
8	\$1,191.59	\$521.70	\$1,713.29	\$74,692.01	10/1/2008	
9	\$1,199.78	\$513.51	\$1,713.29	\$73,492.23	11/1/2008	
10	\$1,208.03	\$505.26	\$1,713.29	\$72,284.20	12/1/2008	
11	\$1,216.34	\$496.95	\$1,713.29	\$71,067.86	1/1/2009	
12	\$1,224.70	\$488.59	\$1,713.29	\$69,843.16	2/1/2009	\$6,402.64

REVISED EXHIBIT 5-3

**PROMISSORY NOTE
BRYANT WOODS & DEARBORN RIDGE WELLS**

Initial Interest Rate 8.25%
Principle Balance: \$32,732.77
Date: July 1, 2008
Term: Twenty (20) years

Hampstead Area Water Company, Inc. (HAWC) promises to pay to Lewis Builders Development, Inc., (LBDI), the sum of Thirty Two Thousand Seven Hundred Thirty Two and 77/100th Dollars (\$32,732.77) (Principal), with interest on the unpaid balance in the amount of Eight and 25/100th (8.25%) percent, and then adjusted every three years thereafter on the anniversary date of the last business day of the quarter prior to PUC approval, at the rate of Two and One-Quarter percent (2¼ %), plus the Prime Rate, as published in the Wall Street Journal , and payable as follows:

In Two Hundred and Forty (240) monthly installments of \$278.90 commencing on July 1, 2008 and every month thereafter, to be paid on the 1st day of each month until the balance is paid in full.

Hampstead Area Water Company, Inc. may prepay this note at any time.

HAMPSTEAD AREA WATER
COMPANY, INC.

Witness:

By: _____
Christine Lewis Morse, Its Vice
President, duly authorized.

ACKNOWLEDGED AND ACCEPTED
LEWIS BUILDERS DEVELOPMENT, INC.,

BY _____
Christine Lewis Morse, its Vice President duly authorized

14-Apr-08

HAWC
WELLS

PRINCIPAL: \$32,732.77
 INTEREST RATE: 8.250%
 NO. OF MONTHS: 240
 PAYMENT/MO.: \$278.90
 PAYMENT/YR.: \$3,346.80

#	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL BALANCE		
1	\$53.86	\$225.04	\$278.90	\$32,678.91	3/1/2008	
2	\$54.23	\$224.67	\$278.90	\$32,624.68	4/1/2008	
3	\$54.61	\$224.29	\$278.90	\$32,570.07	5/1/2008	
4	\$54.98	\$223.92	\$278.90	\$32,515.09	6/1/2008	
5	\$55.36	\$223.54	\$278.90	\$32,459.73	7/1/2008	
6	\$55.74	\$223.16	\$278.90	\$32,403.99	8/1/2008	
7	\$56.12	\$222.78	\$278.90	\$32,347.87	9/1/2008	
8	\$56.51	\$222.39	\$278.90	\$32,291.36	10/1/2008	
9	\$56.90	\$222.00	\$278.90	\$32,234.46	11/1/2008	
10	\$57.29	\$221.61	\$278.90	\$32,177.17	12/1/2008	
11	\$57.68	\$221.22	\$278.90	\$32,119.49	1/1/2009	
12	\$58.08	\$220.82	\$278.90	\$32,061.41	2/1/2009	\$2,675.44



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

July 23, 2007

Charles Lanza
Hampstead Area Water Company
54 Sawyer Avenue
Atkinson, New Hampshire 03811

**Subject: CWS ATKINSON: Dearborn Ridge; EPA ID: 0112090-001
Proposed Replacement Well; NHDES# 998092**

Dear Mr. Lanza:

The purpose of this letter is to conditionally approve your July 12, 2007 request to install a new well at the subject water system to replace existing BRW 1, which has experienced a decline in yield to the point where an outside watering ban has been implemented.

The existing BRW 1 was approved under the new well siting regulations in 1997 with a permitted production volume (PPV) of 15,120 gallons in any 24-hour period and a sanitary protective area (SPA) with a 200-foot radius that is in a natural state and controlled by the water system. You have stated that this permitted withdrawal has declined to approximately 3 gallons per minute. In a recent telephone conversation the New Hampshire Department of Environmental Services (NHDES) suggested that the existing well, which is only 300 ft deep, be hydrofractured or deepened. Hampstead Area Water Company (HAWC) was concerned with supplying the water system for the time period the well was off line during hydrofracture or deepening and preferred installing a replacement well.

In your replacement well application you have asked that NHDES allow HAWC to retain the existing well rather than abandoning it per replacement well requirements. Since the well is being replaced due to a decline in yield and not a decline in acceptable drinking water quality, and retaining the existing well as a mechanical backup in case of emergency is prudent, your request is granted. However, the combined withdrawal from both wells is limited to the 15,120-gallon PPV originally approved for BRW 1.

This preliminary replacement well approval is subject to the following conditions.

- Prior to performing the pumping test, document setbacks to surface water, including the wetlands in close proximity to the existing well.
- If surface water or persistent standing water in wetlands is located within 100' of the proposed well, NHDES may require monitoring of the surface water and replacement well water for pH, conductivity, and temperature and the performance of a Microscopic Particulate Analysis sampling during the pumping

Charles Lanza
Dearborn Ridge/Atkinson
July 23, 2007
Page 2 of 2

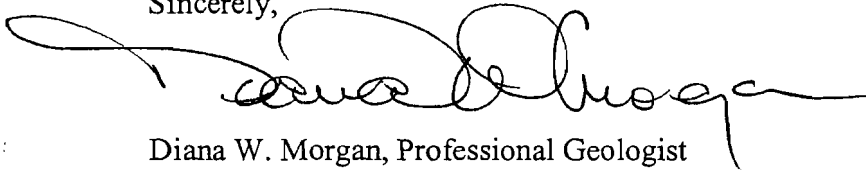
test. This may entail extending the pumping test duration beyond the proposed 24 hours.

NHDES strongly recommends that HAWC reconsider either deepening or hydrofracture of the existing bedrock well. The process could be expedited by allowing for a pumping test immediately following the procedure and chlorination. Providing the water extracted from the newly rehabilitated well meets the drinking water standards for bacteria, the pumping test water could be discharged directly into the storage tank to supply the water system during testing, with the excess water discharged to waste.

Be advised that if HAWC chooses to deepen BRW 1 **and** install the proposed replacement well in order to increase the total PPV for the water system, then the new well must meet all the requirements of New Hampshire Administrative Rule Env-Ws 378, *Site Selection of Small Production Wells for Community Water Systems*.

If you have any questions about this letter or any other well siting issues feel free to call me at **271-2947** or email me at dmorgan@des.state.nh.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Diana W. Morgan", with a long, sweeping horizontal line extending to the right.

Diana W. Morgan, Professional Geologist
Drinking Water & Groundwater Bureau

Cc: Jim Gill, NHDES

ROBERT LEVINE
HAMPSTEAD AREA WATER COMPANY
54 SAWYER AVE
ATKINSON NH 03811

STEPHEN P ST CYR
STEPHEN P ST CYR & ASSOC
17 SKY OAKS DR
BIDDEFORD ME 04005

JOHN SULLIVAN
LEWIS BUILDERS
54 SAWYER AVE
ATKINSON NH 03811

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NHPUC
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CONCORD NH 03301-2429

JAYSON LAFLAMME
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

MARK NAYLOR
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

MARCIA THUNBERG
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429

AMANDA NOONAN
CONSUMER AFFAIRS DIRECTOR
NHPUC
21 SOUTH FRUIT ST, SUITE 10
CONCORD NH 03301-2429