

THE STATE OF NEW HAMPSHIRE



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April 13, 2010

Debra A. Howland
Executive Director & Secretary
New Hampshire Public Utilities Commission
21 S. Fruit Street, Suite 10
Concord, NH 03301

Re: DW 10-061, Hanover Water Works Company
Petition for Termination of Franchise
Staff Recommendation of Approval



Dear Ms. Howland:

On March 19, 2010, Hanover Water Works Company (HWW) submitted a petition requesting termination of its franchise to provide retail water service effective June 30, 2010. Included with the petition is a copy of a Purchase Agreement conveying the water system assets from HWW to the Town of Hanover, and other exhibits. Staff has reviewed the petition and the attached exhibits and recommends the Commission approve the transfer of the franchise and the system assets through the issuance of an order nisi.

HWW has been providing water in the Town of Hanover since approximately 1893. HWW is currently jointly owned by Dartmouth College, which owns 52.8% of the company's stock, and the Town of Hanover, which owns the remaining 47.2%. HWW serves about 1,826 customers all within the municipal boundaries of the Town of Hanover. Since 2000 the Town has operated HWW's water treatment and distribution system pursuant to a contract between the Town and HWW.

In May of 2009, over two-thirds of Hanover residents present and voting at Hanover's town meeting voted to authorize the Town's Select Board to purchase the assets of HWW, pursuant to RSA 38:4. Following this vote the Town notified HWW of the vote, and further indicated that, while this notice was being made pursuant to RSA 38:6, the Town acknowledged that it and Dartmouth College had been working together for some time on a proposal for the Town to acquire the utility. Following this notification, the Town and Dartmouth have been engaged in discussions regarding the terms and conditions of a sale of HWW's assets to the Town. The result of those discussions is a Purchase Agreement, attached to the filing as Exhibit C. HWW's filing

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indicates that a public meeting is planned on the transaction in May, 2010, after which HWW and the Town will sign the Purchase Agreement.

Under the terms of the Purchase Agreement and as summarized in HWW's petition, the utility would convey to the Town real property, equipment, and other tangible assets used to operate the water system and provide water service within the Town. In addition, all customer records, accounts receivable, and licenses, permits, consents, legal authorizations and registrations relating to the water system will be conveyed. The three reservoirs that supply HWW's customers, a 250 yard buffer around Reservoirs 1 and 2, all of the land surrounding Reservoir 3, and the reservoir-related dams/earthwork will be transferred to the Town. Some land will continue to be owned by HWW and will remain subject to a local ordinance that was designed to protect the watershed, local zoning, and all Department of Environmental Services regulations. The surviving HWW will no longer be a water utility and its ownership interests will be modified such that the Town and Dartmouth College will have an equal ownership share. Thus, the only asset owned by HWW post-transfer will be the remaining watershed land, and the use of this remaining land cannot be modified without the Town's consent.

The Town will pay \$1 for the purchased assets of HWW. HWW's drinking water supply loans will be assigned to the Town, and at a Special Town Meeting held on October 27 and 28, 2009, voters approved warrant articles to raise and appropriate the funds for those loans. Prior to the closing, scheduled for June 30, 2010, the Town is required to have bonded funds sufficient to retire one of those loans, from Citizens Bank. The Town expects to issue bonds for the cost of these loans on or around the closing date. In addition to these matters, a further condition to the closing of the transaction is the passage of legislation allowing the Town to make payments in lieu of taxes from a water fund into its general fund. Senate Bill 391 has been voted "Ought to Pass" by the Senate Public and Municipal Affairs Committee and was adopted by the Senate on January 27, 2010.

The Town has provided substantial notice to its residents regarding the proposed acquisition of HWW, including informational meetings and a public hearing on the needed issuance of bonds. Details of the Town's notice to residents are provided in the petition. Acquisition of the assets of HWW would create a municipal utility which would serve only Hanover customers solely within its corporate boundaries, and thus would qualify it for exemption under RSA 362:2.

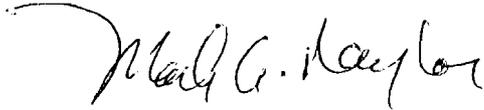
After review of HWW's petition and the accompanying exhibits, Staff recommends approval of the company's request to terminate its franchise after transfer of its water system assets to the Town of Hanover. Hanover's residents have been adequately informed of the proposed transaction and have provided their approval for it in accordance with the provisions of RSA Chapter 38. Staff believes that the surviving Hanover Water Works, by virtue of its ownership solely of watershed land and not assets used to provide retail water service, will not qualify as a regulated utility. The fact that Town employees have operated the water utility for a number of years helps to ensure a

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seamless transition to an unregulated municipal utility. Staff recommends approval of HWW's petition by issuance of an order nisi.

If there are any questions regarding Staff's recommendation, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark A. Naylor". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Mark A. Naylor
Director, Gas & Water Division

cc: service list

SARAH KNOWLTON
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PO BOX 459
PORTSMOUTH NH 03801

Docket #: 10-061 Printed: April 13, 2010

FILING INSTRUCTIONS: PURSUANT TO N.H. ADMIN RULE PUC 203.02(a),
WITH THE EXCEPTION OF DISCOVERY, FILE 7 COPIES (INCLUDING COVER LETTER) TO:
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EXEC DIRECTOR & SECRETARY
NHPUC
21 SOUTH FRUIT STREET, SUITE 10
CONCORD NH 03301-2429

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DIRECTLY WITH THE FOLLOWING STAFF

RATHER THAN WITH THE EXECUTIVE DIRECTOR

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BULK MATERIALS:

Upon request, Staff may waive receipt of some of its multiple copies of bulk materials filed as data responses. Staff cannot waive other parties' right to receive bulk materials.

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